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Market Outlook

By EDMUND W TABELL*
Shields & Co.

Market analyst expects any decline to end at 185-187, with important technical correction to come from a higher level. Looks for selectivity, favoring specific industries that have given Dow-like bull confirmations, and those having formed "long potential base patterns."

This is devoted to the technical side of the stock market picture as interpreted from over 1,500 graphs of the various averages and individual issues listed on the New York Stock Exchange and the New York Curb, not to mention various moving averages, breadth of the market studies, ratio lines, group studies and other technical data. Technical work is based on the simple thesis that the market is its own best barometer and that the varying demand or supply of stocks

Edmund W. Tabell

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*A talk by Mr. Tabell before the N. Y. Society of Security Analysts, June 2, 1948.

See PICTORIAL SECTION for PICTURES taken at the 24th Annual Field Day of the Bond Club of New York.

The Electric Industry in 1948

By CHARLES E. OAKES*
Retiring President, Edison Electric Institute
President, Pennsylvania Power & Light Co.

Reviewing conditions, problems and prospects of electric utilities, Mr. Oakes points to 4,600,000 kw. increased capacity in current year, largest on record. Notes widespread growing demand for electric power and urges electric power and energy be kept "the greatest bargain offered today." Wants laws and regulations preventing useful power interchanges abolished and no additional Federal power plants installed. Cites need of $6 billion for expansion program, with equity capital comprising important percentage.

The Institute welcomes you to this meeting. You have gathered here to consider the situation of our industry, ponder its problems, and consider its future course. Our program has been devised to cover the major questions which confront us. I hope you enjoy it, and find it helpful.

I am going to depart from the customary President's report, and devote most of what I have to say to what the future may hold for us, and what we should do to insure meeting our responsibility as an essential part of the national economy. But first I want to discuss briefly what the Institute has been doing and what it is accomplishing, especially in laying the foundation of fact, research and study for the steps we must take.

Charles E. Oakes

Institute Activities

The past year has been a busy one for the Institute, its depart-

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*Presidential address of Mr. Oakes before 16th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 1, 1948.

Present and Prospective Electric Utility Securities Markets

By EDWARD HOPKINSON, JR.*
Partner, Drexel & Co., Philadelphia
Past President, Investment Bankers Association

After reviewing utilities trends, Mr. Hopkinson contends greatest problem is ability of utilities to market common stocks. Blames capital gains levies for making common stocks unattractive, and scores double taxation of dividends margin requirements. Advises against sinking funds on preferred stock and cautions companies build up sound financial structure.

I will confine any comments on "Recent Markets" to the post-war picture. During all of 1945 and into the late Spring of 1946, yields for all grades of public utility bonds continued down and prices continued upward under the pressure of investors to put idle funds to work. New issues, for other than refunding purposes were relatively scarce. This is readily unstood because materials for construction were still difficult to obtain and many companies, during the war period, had built up liquid reserves which enabled them to meet their cash requirements without new financ-

E. Hopkinson, Jr.

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*An address by Mr. Hopkinson before the 16th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 2, 1948. This address was prepared about the middle of May and where "current" or "now" is used they relate to that date.

EDITORIAL

As We See It

Communism — and Our Defenses

The President in his recent address in Chicago has this to say about communism and its threat to the United States:

"The American people are rightly concerned these days about the attack on our ideals by international communism. There has been a great deal of discussion on this subject throughout the country and recently we have been hearing some people say that the way to avoid the danger of communism in the United States is to pass a law — a law, for example, to check certain kinds of political activity. Some people think you can combat communism by outlawing the Communist party.

"It seems to me that such proposals miss the point.

"You cannot stop the spread of an idea by passing a law against it."

The degree or extent in which communism is a real threat to the United States at the present time we leave for the reader to decide for himself. That this threat, whatever its strength, can not be successfully combatted or eliminated by passing foolish laws is obvious enough.

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Irredeemable Money: Privilege Without Responsibility

An Analysis of the Recommendations of the Chamber of Commerce of the State of New York Regarding a Return by the United States to a Domestic Gold Standard

By WALTER E. SPAHR
Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

Dr. Spahr decries Chamber's justification of Treasury and banks' departure from commonly-accepted standards of integrity in honoring promises-to-pay. Asserts people's miscomprehension of our monetary system leads them lethargically to accept things as they are, not realizing human freedom rests upon redeemability of paper money in gold.

The Chamber of Commerce of the State of New York, on May 6, 1948, endorsed a Resolution on "Currency Reform and the Gold Standard," prepared by its Committee on Finance and Currency, which deserves description not only because of the possible relative importance of the document, since it comes from this Chamber, but also because it is, apparently, fairly typical of the thoughts and attitudes which seem widespread among businessmen and others today.

Walter E. Spahr

The Resolution of the New York Chamber

The Resolution, endorsed by the Chamber, reads:

"*Whereas,* The Chamber of Commerce of the State of New York always has insisted upon a sound monetary system for the nation based upon the gold standard; and

"*Whereas,* The nation since 1933 has been operating on what generally is viewed as a form of the gold bullion standard; and

"*Whereas,* Legislation now is pending before the Congress (H.R. 5031, known as the Buffett Bill) which would return the nation to the same standard that was being used before 1933 (but would retain the new price of gold, $35 per ounce); and

"*Whereas,* As a result of studies of the problem which have been made by the Chamber's Committee on Finance and Currency, and in view of the present international situation and the nation's current fiscal condition, the Committee believes it inadvisable to return to such a standard *at the present time;* now, therefore, be it

"*Resolved,* That the Chamber of Commerce of the State of New York reiterates its conviction that this nation should have the soundest possible monetary system, which it believes to be one based on the gold standard; and, be it

"*Resolved,* That the Chamber feels that every possible step should be taken to attain that ultimate objective as rapidly as world conditions justify; and, be it further

"*Resolved,* That as a step toward that objective the Chamber urges the Congress to revoke the existing legal provisions which sometimes are interpreted as authorizing the Secretary of the Treasury to buy and sell gold at prices other than the established one of $35 per ounce."

The Report of the Chamber's Committee on Finance and Currency prepared in support of its Resolution occupies 11 pages and cannot be reprinted here. But the nature of both the Resolution and Report can be made reasonably clear by an analysis of the significant features of each.

I. What the Chamber Really Endorsed

It seems reasonable to suppose that a casual reading of the Chamber's Resolution and its Committee's Report would hardly reveal to the person not in a position to pause and consider carefully just what it is, precisely, that the New York Chamber actually endorsed.

1. The Chamber Endorsed Irredeemable Paper Money

The Chamber "believes it inadvisable to return to such a standard [a gold-coin standard] at the present time."

This means that we should continue with what we have. And what is that? Domestically, all our paper money is irredeemable with the exception of silver certificates; and they are redeemable only in an overvalued silver.

Therefore, this Chamber has said publicly that *at the present time* it approves of this type of currency for the people of this country despite the fact that we could have a gold-coin or gold bullion system domestically.

The Chamber states in its second "Whereas" that "The nation since 1933 has been operating on what generally is viewed as a form of the gold bullion standard." It is not clear what this meant to the authors of that statement or what it may mean to readers of that Resolution.

A gold-bullion standard is one in which gold bullion is used domestically as well as in international relations. We do not have such a system. We have "a form of" the gold-bullion standard only in the sense that we have a restricted international gold-bullion standard with our domestic currency irredeemable in so far as gold is concerned. It is this domestic system that is the paramount issue involved—the issue of an irredeemable paper money for the United States.

This irredeemable paper money is issued by the United States Treasury and the Federal Reserve banks. In short, they issue promises to pay which they do not redeem, do not intend to redeem, and, under existing laws, cannot redeem. In other words, the Treasury and Reserve banks have been given the privilege of such issuance, and, at the same time, they have been freed from all responsibility to redeem these promises. Both of them wish to keep and have been fighting to keep this favored (and dangerous) position.

Similiarly, the commercial banks of this country create deposits which are payable only in this irredeemable paper money and overvalued silver, and, as a fraternity, these banks, as represented by the American Bankers Association, by their failure to make any concerted effort to bring irredeemability to an end in this country, really join the Treasury and Federal Reserve banks in their effort to maintain this system of irredeemable paper money.

2. The Chamber Acquiesces in the Granting of Privileges Freed From the Corresponding Responsibilities

A vitally important question arises here: On what defensible ground can any institution or individual claim the right to issue promises to pay and at the same time insist that it or he should not be compelled to redeem those promises?

We have built an intricate legal system in respect to contracts in this country, based upon the very elemental and widely-accepted standards of morals, ethics, and common honesty to the effect that the maker of promises to pay must also assume the corresponding responsibility. We prosecute individuals and institutions when they attempt to avoid the fulfillment of their responsibilities.

Harry Scherman, President of the Book-of-the-Month-Club, once wrote a penetrating book called *The Promises Men Live By.* It dealt with some fundamental requisites of satisfactory and honorable social and economic intercourse. When men's promises cease to be good, trade and production are stalled, credit collapses, people cannot buy, sellers cannot and will not sell, chaos and social degeneration follow quickly.

These are elemental and elementary truths that one might suppose we need not take the time to discuss in this country. But our present state of degeneration in respect to these basic standards of integrity is proof that we need to pause and to take a good look at ourselves and at what we are doing.

3. The Chamber Acquiesces in Our Current Practice in Respect to the Issuance of Irredeemable Promises to Pay

One of the things that we have been doing—for a period of 15 years—is to permit two of our largest issuers of promises to pay to issue their promises without being required to redeem them. This case of moral degeneration is particularly bad because it applies to two institutions that have more power and touch more people than any other two promise-issuing institutions in this country. The volume of non-redeemable promises which the Treasury and Reserve banks (and commercial banks) have issued and have outstanding in terms of dollars is fabulous.

The New York Chamber has put itself on record as acquiescing in, if not endorsing, the current policies which permit the Treasury and banks to issue promises to pay without being called upon to assume the corresponding responsibilities. The Chamber does not explain the grounds on which it justifies this departure from the commonly-accepted standards of integrity in respect to honoring one's promises to pay. In fact, it does not seem to see any such question involved. It does not even discuss it in any concrete manner.

(a) *The people in general have been lethargic:* The people in general seem to have accepted their present situation in respect to irredeemable money somewhat as they accept taxes, dictatorship, or death—when they find themselves helpless, or when they do not

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A Look at Utilities Earnings

By ALAN H. TEMPLE*
Vice-President, National City Bank of New York

Prominent banker analyzes behavior of utility earnings by comparing them with those of other major industries. Notes electricity profit margins have been narrowing due to reductions in unit price of services as well as to higher operating costs. Accordingly, operating income has not kept pace with growth of business. Sees greater operating income needed from one or more factors, as: (1) rate increases; (2) savings in operating costs; (3) increase in sales under high load and larger capacity; (4) decline in level of fuel and labor costs; and (5) reduced taxation.

Stability of return, and a growth trend with which nothing seems to interfere, have made the fixed obligations of the operating utility companies during the past 20 years the number one choice of conservative investors in American business. They have made the preferred stocks almost the number one choice in that field, second only to issues of a few prime industrial companies which have no debt ahead of their preferred. An example of the attraction which utility securities hold for conservative investors is seen in the make-up of the investment portfolios of life insurance companies. In 1926 these investments totalled $13 billion; 20% was in railroad securities and only 7%—or $900 million — in utilities. Today the total is $51 billion. Only 6% is in railroads; nearly 15% — or $7½ billion — is in utilities.

Alan H. Temple

Comparative Behavior of Utilities

Our purpose this morning is to gain what insight we can into the behavior of utility earnings by comparing them with those of other major divisions of business in the different phases of the business cycle. Such comparisons bring out the long-term growth, relative fluctuations of operating revenues and net income, and other pertinent factors in the investment rating of utility securities. We shall see much which accounts for and justifies the favor which utility securities enjoy, and in which utility management may feel deserved satisfaction. I hope we see nothing which leads to complacence, for the industry must continue to hold the favor of conservative investors if it is to finance the capital expenditures needed to meet the constantly growing demands of the American people. The price of maintaining the number one position is eternal vigilance.

Fortunately for the comparisons I seek to present, the electric utility industry has developed through the Edison Electric Institute an excellent set of statistics, most of which go back to the year 1926. They provide a broad background for studying the changes that occurred during the prosperous period of the late 1920s, the great depression of the 1930s, the four years of World War II, and the postwar boom that still continues. A number of these basic series will be compared, on lantern slides, with figures for other major industries or for business as a whole. For these figures we draw upon the Treasury Department's annual "Statistics of Income," compiled from the tax returns of all corporations in the United States, and upon earnings figures which the National City Bank of New York has compiled for some 25 years from the published reports of leading corporations.

Gross Sales of Electric Utilities And of All U. S. Corporations

Figure 1 compares since 1926 the gross revenues of privately-owned electric utilities, as compiled by the Institute, and of all U. S. Corporations in all lines of business, numbering over 400,000 and compiled by the Treasury Bureau of Internal Revenue. The scale for all U. S. Corporations is marked on the left side, while the scale for electric utilities is on the right.

This chart brings out two points. First, is the more rapid rate of long-term growth of the electric utilities. Their gross revenues increased from around $1.4 billion in 1926 to $3.5 billion in 1947, a gain of 150% over the 21 year period. The rate of growth was 4.5% a year, compounded. During the same period, total sales and other receipts of all U. S. Corporations increased from about $143 billion in 1926 to an estimated $275 billion in 1947, an increase of 92%. The annual rate of growth was 3.2%, compounded.

The second point revealed by the chart is the greater stability of revenues of the electric utility industry relative to those of business in general. This was true not only during the great depression of the early 1930s, but also in the minor recession of 1938 and the temporary reconversion slump after the end of the war. The decline in the utility gross during the great depression was 13%; in all business it was 49%.

Net Income of Electric Utilities And of All U. S. Corporations

Figure 2 compares the net income after taxes of electric utilities, for which the scale is on the right, with that of all U. S. Corporations, having the scale on the left.

This shows, in even more striking fashion than the first chart on gross revenues, the relative stability of utility net earnings

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*An address by Mr. Temple before 16th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 2, 1948.

Investment Trends Affecting Utilities

By LIONEL D. EDIE*
President, Lionel D. Edie & Company, New York City

Dr. Edie points out, because of increasing mechanization, there is close relation between physical production and sales of electrical power, but because of increasing output, along with technological improvement, electric rates have been decreasing. Indicates increased electric output has been accompanied also by lower dollar value, thus requiring dynamic rate structures to cover costs and to invite capital investment. Holds higher dividends are required to offset decline in dollar purchasing power or sufficient new equity capital will be lacking. Foresees higher utility rates in offing.

The subject to which I am directing my remarks today is a controversial one. It is one that is in the middle of change. It is one that is pointed in a constructive direction at long last. I speak of the subject of the utility rate structure and the manner in which certain broad economic trends require a dynamic theory of utility rates, and by dynamic theory I mean not only a recognition of the inability of the utility industry to operate satisfactorily at a continuously declining price trend for the unit product of that industry. I mean not only that the down-trend in the unit price of the product of this industry has got to stop, but that the trend of the price has got to turn upward. In other words, the broad economic trends in this country today dictate and compel an increase in the rate structure of the electric utility industry.

Lionel D. Edie

Now, by trends I have several things in mind, but first I should like to speak about a trend in industry generally which gives the great force of demand to the utility industry, and that is the trend of mechanization within manufacturing and nearly all other lines of business. This trend of mechanization causes the great expansion of facilities on the part of the electric light and power industry, which is now in process. It is the only way by which the productivity of labor can be increased and can be caused to pursue a steady trend of improvement from year to year. It means that more power must be made available for each worker, more horsepower per man must be applied to manufacturing, transportation, and all other phases of American business.

Now, over a long period of time there has been a very close relationship between the trend of output per man hour, the productivity of labor, and the amount of power available per worker, and in order to keep a steady growth in the productivity of American industry, there has had to be a steady increase in the horsepower per worker.

Now, in the decade from 1919 to 1929 the horsepower per worker increased by one full unit of horsepower. In the next decade, '29 to '39, there was the same increase, but in the present decade, from 1939 to the end of 1949—and here I am estimating for the last year and a half, roughly, of that decade—the amount of power, installed power, by the industry itself, plus the purchased power from the outside, the amount of power per worker, instead of showing an increase for the decade, will be just about the same in 1949 as it was in 1939. For the first time in this generation, in other words, even though the electric industry will have gone through a great period of expansion of facilities, the amount of power available per worker in American industry will be no bigger at the end of the decade than it was at the beginning of the decade.

Now, that is a very remarkable circumstance and may seem incredible to some of you, but I assure you that that is substantially the fact.

Now, along with that fact, I should like to mention another very important phase of the demand for the product of utilities at this time, and that is the ratio of power purchased outside manufacturing and other industry to that which is self-installed by industry, and in that respect I find that in 1919 the power purchased outside was 31% of the total. By 1939, 20 years later, the power purchased outside was 58% of the total. By 1951, assuming that the present expansion program is carried out, 75% of the total power used in industry will be purchased outside industry.

So that in 30 years, we have gone from 31% up to about 75% in this important ratio.

One consequence of this is that a new relationship has established itself between the trend of production of all physical goods and the trend of sales of power by the industry. The index of production by another year or two should be roughly double the pre-war level. In order to bring about a doubling of the physical volume of production, it will be necessary to bring about a tripling of the amount of industrial power used in American manufacturing. It takes triple the power to double the physical volume of output.

While these physical trends are going on, there are certain financial and dollar trends which are perhaps even more important. There has been for a great many years a very striking relationship between the sales of electrical energy to residential users and the income which was received by the people of this country. This ratio between residential demand and income payments has been distorted during the war period with the result that even though the domestic load is higher than ever before, the share of the consumer's dollar that is today being spent for electrical energy is 25% below normal. Normal simply means the average historical relationship between the share of the consumer's dollar going to electricity and the total income payments. Twenty-five per cent below normal is the condition in that relationship.

While this sub-normal position prevails, there is a third trend which lays the groundwork for a new pressure on the rate structure. That trend is in the value of money itself. The value of money has changed since the prewar period. It has changed at wholesale. The dollar will buy at wholesale somewhat less than half what it bought before the war. It has changed at retail. The purchasing power of a dollar has shrunk at least 40% since 1939.

These changes in the value of money are permanent changes. There are some people who still entertain the thought that at a given point here, we shall suddenly see all prices corrected back to prewar levels, or if not all the way back, half-way back. It is a false hope. The price level has changed permanently and we are on a new plateau of prices. Not in any of the years of the near future are we likely to see even remotely a return of the prewar level of prices.

But in one direction there has been an increase in the purchasing power of money, and that is over the services rendered by the utility industry. The price per unit of product for this industry has gone down while inflation has prevailed universally throughout the American economy and throughout the world.

That contradiction between the price trend in the utilities and the price trend everywhere else has been building up an unbalanced situation which cannot last very much longer. We are nearing a point where a change has to come about, and the only place where that change could be effected is in the rate of structure of the utility industry.

In order to indicate some of the more practical phases of this problem, I should like to try to make a number of specific points. First, I would say that attention should be given to the dividend dollar. The dividend dollar in the electric utility industry has been a stable affair as far as the nominal amount of dollars disbursed was concerned, but it has not been a stable affair as far as the purchasing power of the dividends was concerned.

To illustrate this, I have recently examined ten operating companies that I would classify as leading companies, well-known companies, and companies whose common stocks would command

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*An address by Dr. Edie before the 16th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 2, 1948.

World Bank Seeks Congress' Aid

By HERBERT M. BRATTER

Mr. Bratter recounts proceedings before Congressional Committees relating to proposed legislation to exempt World Bank bonds from requirement of registration with SEC. Gives views of members of Congress concerned with legislation and indicates bill (H.R. 6443) is not likely to pass in present form.

As readers of the financial pages are aware, the World Bank this year has been seeking legislation to exempt it from the need to register its issues with the SEC, to permit state "member banks" and national banks to deal in and underwrite its securities, etc. In this effort the Bank has the approval of the National Advisory Council. At this writing the history of this effort since late May is as follows: The Senate Banking and Currency Committee held a perfunctory one-hour one-witness hearing and by majority vote the same day approved the proposed bill, containing an amendment offered by the SEC. In the Senate on June 1 the measure was "passed over" because of objections from both sides of the aisle. The House Interstate and Foreign Commerce Committee held two long hearings on the matter on June 4 and 5, at which witnesses from the Bank, the SEC, the Treasury, and the NASD were heard; and at this writing it is preparing to have an executive session shortly, seemingly with the object of working out a compromise that will give the Bank not quite all that it seeks.

Herbert M. Bratter

Several possible modifications of the World Bank's bill have been tentatively suggested from House committee sources, and one offered in Friday's hearing by Mr. Eugene Black, U. S. executive director of the Bank following conferences between him and the National Association of Securities Dealers' Washington office, is described as responsible for the fact that the NASD withdrew, at least for a two-year test period, its objection to the bill. (The objection was reported in the "Chronicle" of June 3, p. 17.) The amendment offered by Mr. Black would require the National Advisory Council to make biennial reports on how the new legislation shall have been working, with particular reference to the viewpoint of securities dealers and investors, Mr. Black said. That is, NAC will report on the effects of actions it previously shall have approved.

Chairman Wolverton Comments

Following the hearings, Chairman Charles A. Wolverton of the House committee gave the "Chronicle" the following statement:

"The International Bank for Reconstruction and Development proposes by this bill (H.R. 6443) that its securities and securities it guarantees be exempt from the provisions of the truth in Securities Act of 1933 and the Securities Exchange Act of 1934, and be eligible for underwriting and dealing in by national banks under the National Banking Act.

Chas. A. Wolverton

"The International Bank, Secretary of the Treasury, and Federal Reserve Board support this bill as enabling the Bank the more easily to market its securities in this country and thus allow it the more readily to render financial aid to foreign countries, especially in supplementing the direct aid rendered by the European Recovery Plan.

"The House Committee on Interstate and Foreign Commerce has held exhaustive hearings on these proposals, during the course of which complete examination of the Bank's operations and purposes has been made. The Securities and Exchange Commission has advised us that it had no objection to the proposed exemption from its Acts on the ground that the National Advisory Council, comprising the Secretaries of State, Commerce, and the Treasury, the Chairman of the Board of Governors of the Federal Reserve Banks, and the Economic Cooperation Administrator, could exercise alternate, though somewhat different, control over the sale of the Bank's securities in this country.

"The Committee now has under consideration the arguments advanced by the Bank in support of these exemptions and changes so as to facilitate its sale of securities. The Committee also is exceedingly conscious of its responsibility to safeguard the protections from repetition of past abuses, particularly with reference to loans based on foreign securities which are afforded to American investors by the present securities laws. While the Committee well appreciates that an argument can be made that the obligations of the Bank stand in the same stead as obligations of the U. S. Government and, therefore, should be entitled to the same exemptions, it is clear that this is true only insofar as the total obligations and guarantees do not exceed $3,175 million, the amount of the U. S. commitment.

"We are now studying what, if any, legislative assistance can be given the Bank in marketing its securities and still preserve adequate protection to American investors."

Rep. Bennett Summarizes Views

Following the hearings, Rep. John B. Bennett (R.-Mich.) stated his position to the "Chronicle" as quoted below. Mr. Bennett and the Chairman were the only committee members who listened to the entire testimony June 4 and 5 and Representative Bennett distinguished himself as a persistent and intelligent interrogator, evoking the admiration

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

On the industrial front last week total production for the country as a whole suffered a slight setback due to the numerous plant shut-downs for the Memorial Day week-end. Notwithstanding the wide-spread cessation of activities in observance of the holiday, however, output in most lines held somewhat above that of the corresponding period one year ago. In addition to this favorable aspect of industrial activity, it was noted that both insured unemployment and claims for unemployment insurance continued to decline moderately, while payrolls on the other hand, were steady and at a very high level.

The labor situation the past week continued to present a confused picture in that field, since the coal and rail disputes pose two big hurdles for industry, labor and the government to negotiate. In the former industry, Justice T. Alan Goldsborough has ruled that John L. Lewis and his miners must negotiate with the Southern coal producers as a unit. Mr. Lewis has agreed to comply with the court's order and the nation now awaits the outcome of these negotiations.

In the latter case a breakdown in rail negotiations has occurred in which the three railroad brotherhoods have refused to accept the decision of the President's fact-finding board after 19 other unions had accepted it. On Thursday of this week the government will seek an injunction from Justice Goldsborough barring a nation-wide railroad strike.

In this connection, it is worthy to note a statement made last year by Daniel J. Tobin, General President of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers, to the local head of that union in the City of Oakland, Calif., in which he stated in part:

"No general strike has ever yet brought success to the labor movement. On the contrary, the only result of a general strike is to persecute and inconvenience the public and seriously injure the thousands of fair employers with whom we have contracts."

* * *

For the month of April, net railway operating income of Class I railroads of the United States totaled $53,104,072, compared with $59,459,540 for the same month in 1947, according to the Association of American Railroads. Estimated net income, after interest and rentals, in April totaled $27,100,000, compared with $35,600,000 in the like period of 1947.

For the first four months of this year net railway operating income of the Class I carriers, before interest and rentals, amounted to $195,750,651, compared with $235,703,475 in the similar month a year ago, while net, after interest and rentals, in the first four months of 1948 is estimated at $100,000,000, compared with a net income of $131,000,000 in the corresponding period of 1947.

In the 12 months ended April 30, 1948, the rate of return on property investment averaged 3.24%, compared with a rate of return of 3.26% for the 12 months ended April 30, 1947.

Total operating revenues in the first four months of 1948 amounted to $2,972,210,494, against $2,730,856,100 in the like period of 1947, or an increase of 8.8%, while operating expenses in the first four months of 1948 amounted to $2,406,596,014, compared with $2,141,716,374 in the corresponding period of 1947, or an increase of 12.4%.

* * *

The number of new businesses chartered during April declined slightly to 9,223 for all 48 states, as compared with 9,346 in March Dun & Bradstreet, Inc., reports. The April count reflected a drop of 5.9% from the 9,802 charters recorded in the same month last year, and it was 26.0% below the 12,469 for April, 1946.

Each month so far this year has shown a drop in new business incorporations from the corresponding month a year ago, bringing the cumulative total for the first four months of the year to date to 37,442.

This was down 9.3% from the similar 1947 period with 41,272 and it was 22.4% less than the record number of 48,254 company organizations set in the first four months of 1946. Compared with last year, 31 of the 48 states reported fewer incorporations for the four months' period than a year ago.

* * *

The pre-Memorial Day buying of food and vacation specialties rose to a very high level the past week. Numerous promotional sales helped to stimulate the post-holiday demand for many types of seasonal merchandise. The total dollar volume of retail trade increased slightly during the week and moderately exceeded that of the corresponding week a year ago.

STEEL OPERATIONS SCHEDULED AT A FRACTIONALLY HIGHER RATE FOR CURRENT WEEK

Buyers of steel are mainly interested in prices and basing points and argument about demand-supply balance is purely academic. Nowhere has "The Iron Age" found an abundance of steel in consumers' hands. Everywhere it has been found that inventories are not relatively large, they are not near normal in many cases and customers are still screaming for steel supplies, states this national metal-working weekly.

When third-quarter quotas become known there will not be enough steel for those who say they need it. They will not be able to make all the things they say they have scheduled.

In answer to the big questions concerning the industry, "The Iron Age" states that the steel situation this week looks as strong as it ever was. There is no sign of falling demand and things that looked easier a short time ago are tighter. Customers will still be shouting for steel next spring and steel prices may be higher next year.

Production will be at peak levels the rest of this year and longer, except for possible coal strikes and finally, when a falling off does come, it will come suddenly without any warning

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Observations . . . .

By A. WILFRED MAY

Must Democratic Capitalism Always Appease?

In the present worldwide struggle between freedom and collectivism, it still is only the latter's proponents that give the impression of knowing specifically what it is that they want. Irrespective of the actual correctness of such impression, the believers in democracy and the free market persist in conveying a philosophy of appeasement and meaningless middle-of-the-roadedness. The latest example of this hybrid credo has recently been furnished by one of the nation's most influential and well-versed group of industrialists, the Chamber of Commerce of the State of New York. Last week this group issued its major contemporary credo under the caption, "A Statement of American Economic Principles,"† a document compiled after months of preparation and released for very wide and important national consumption.


A. Wilfred May

The Chamber declares that its Statement "is really an interpretation of the application of American principles to the economic problems of this economic age!" Nevertheless, despite this high aim, the document contains the great number of errors of commission and omission which are characteristic of the statements from those filling the position of leadership in the battle for democratic capitalism. Like so many others who have strong convictions about the all-around benefit of free enterprise, and unlike the collectivists, the Chamber comes forth with a set of principles seemingly designed to please every one and offend no one. Such is its indefiniteness, that it would no doubt offend neither Wallace, Taft, Chester Bowles John L. Lewis, Harold Laski, Marshall Field, Premier Gottwald of communist Czechoslovakia; nor the NAM, CIO, or ADA. In fact as will be shown below, much of the language is practically a replica of expressions of each of those sharply contradictory protagonists.

Expediency is perhaps excusable when used by a political candidate out to garner votes. Individuals running for office find it necessary to nail together a collection of planks in a party platform to enlist the greatest amount of ballots and antagonize the least number of people. But why private citizens, presumably appreciating the great issues involved in the world-wide struggle, must stultify themselves by concentrating on doing a "public relations job" of appeasement is incomprehensible as well as ominous.

As is characteristic of such statements, most grievous of the faults of the Chamber's pronunciamento are those of material omission. For example, there is not a word about the fundamental question of what kind of monetary system we should have. The Chamber issued a statement concerning its feeling about a return to a domestic gold standard a month ago, which is criticized in detail by Dr. Walter E. Spahr on page 2 of this issue, in which it indicated its satisfaction with our present monetary policy of repudiation. Irrespective of the Chamber's agreement or disagreement with the repudiation in which we have been engaged, surely *some* affirmative statement of what our system should be, is indispensable in a "statement of American economic principles," bound up as it is with the important concept of property rights and a free democratic system.

If leaders of opinion like the Chamber are loath to explain to the people how their human freedom rests on the redeemability of paper money in gold, and the wide social dangers implicit in debauchery of the currency, who else will?

In this case this is particularly necessary to give meaning to indefinite expressions of principle throughout the Statement.

Profits Overlooked

A second important omission in this "Declaration of American Economic Principles" is that of a forthright and vigorous affirmation of the basic need for adequate profits. While it is indicated that sufficient "return on investment" is not sinful, there is no forthright affirmative declaration that profits (as compensating for risk ventures) are necessary for the provision of the tools of production, making for our unprecedentedly high standard of living and the well-being of the laborer, democratically attained through decisions of the free market-place. This being part and parcel of the true American ideal in the two-world schism, why should businessmen shy away from its expression?

In the same sphere there is no explanation offered of what should constitute an "adequate" reward for either labor or capital. Likewise it is not stated who it is that is supposedly obligated to pay the living wage and to guarantee full employment and the economic security to which the workers are allegedly entitled.

Related to the profits question is the characteristic neglect of the reiteration of the unalienability of property rights. And, making

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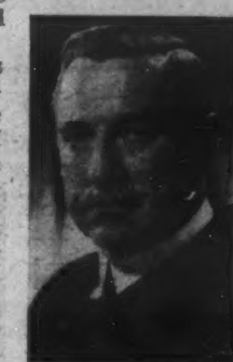
†*For detailed listing of these Principles, see p. 12 of this issue of the "Chronicle."*

Aldrich Urges Senate To Restore ERP Funds

The following statement concerning the European Recovery Program has just been issued by Winthrop W. Aldrich, Chairman, The Chase National Bank:


W. W. Aldrich

"All of us who have followed the evolution of the European Recovery Program, beginning with the address of Secretary Marshall a year ago, are greatly disturbed by the action of the House of Representatives in reducing substantially the funds available for relief and reconstruction in Europe. It is imperative as a matter of good faith that the Senate restore the full amount called for by the Foreign Assistance Act of 1948.

"The Foreign Assistance Act itself was passed by huge majorities in the House of Representatives and in the Senate. The amount of financial assistance stipulated in the Act was the result of very careful study. Few pieces of legislation have had a comparable background of analysis. The impact of a foreign aid program upon the American economy was reviewed in great detail by the State Department, by the Harriman and Krug Committees and by the President's Council of Economic Advisers. Committees of the Congress not only held extensive hearings but also sought first-hand information in Europe itself.

"The European Recovery Program is an integral part of the foreign policy of the United States. It represents an effort to build up the nations of Western Europe so that they may become self-supporting and strong enough politically and economically to resist all attempts at aggression. Its success should not be endangered."

Who Are Our Stockholders?

By HAROLD S. SUTTON*
Treasurer, Consolidated Edison Company of New York, Inc.

Urging regulators of utilities to consider well effects of rate changes on individual investors, Mr. Sutton points out stockholders constitute all classes and groups and their interests should be safeguarded. Notes lack of increased utilities dividends to cope with higher living costs, and, as a result, stockholders say industry is too much regulated and too vulnerable to inflation. Concludes stockholders' interests must be preserved if private enterprise is to endure.

A paramount problem of the day is public relations. American business long ago mastered the job of producing its goods in quantity, cheaply and well, and distributing them widely. During recent years it has come to realize that it now has another job—to defend its own place in the social scheme, to justify the private enterprise system under which it operates, to tell the management side of the labor-management story, and so on. Public relations, so-called, is the modern tool. This is almost too fundamental to bear repetition here.

Harold S. Sutton

Lately an outgrowth of this public relations consciousness has appeared in the form of a stockholder relations consciousness. Business heads are coming to realize not only that the stockholders are entitled to consideration, but that their cultivation pays off in loyalty, interest and cooperation. It is almost as though management had directed their attention to the sides of the well-known triangle in three successive stages—first the customers, then the employees and now the owners. All of these are, of course, but segments of the general public—often overlapping.

While I am reporting to you, here are the results of recent investigations and studies which our company has been making in the field of stockholder relations, trying to find out something about the owners. Hence I shall have to ask you to bear with me in the many references that must necessarily be made to our company. If our findings and conclusions have any value to the light and power industry, or to business generally, it is by way of a case study. Therefore I shall proceed to give you the particulars of this case study, and indicate some of the conclusions and lessons we think may be drawn from it.

Like many other American corporations, Consolidated Edison has been practicing stockholder relations quite intensively over the last decade. For example, some years ago we adopted the welcoming letter to stockholders and the quarterly dividend enclosure giving company news and earnings. We have gradually been streamlining our annual report. We send to all stockholders fairly complete stories on our annual meetings. We carefully reply to stockholders' letters, and try to do a lot of other little things we think our job requires and which we hope may help to make them think well of us.

From our contacts with the institutional investors—the banks, investment trusts, investment counselors—we were well aware of their interests and attitudes, but what about the rest, the individual stockholders? As to them, we have wondered whether we were groping in the dark. We didn't really know the kind of people we were directing our efforts toward. We were like a manufacturing concern trying to sell a product without knowing its market. If we could only know more accurately the "nature of stockholders," we could proceed much more intelligently in addressing them.

What kind of people were these who had bought our stock, and why did they buy it? Had they in fact bought it, or how had they come by it? If they had bought it, who and what considerations influenced them to buy it? Were they investors or speculators—how many of them were holding the stock for income and how many in hope of profit? How many of them owned Consolidated Edison stock only? In how many cases was it simply one of their several investments? Into what age groups did they fall, and into what income brackets? What did they do for a living, or how many of them didn't work at all, because they were retired and living on income?

For some time we had been sending out the various communications I mentioned. How did the stockholders like them? What did they think of the welcoming letter? Did they like it or did they think it was the bunk, or didn't they care one way or the other? The volume of acknowledgements had been so small as to suggest the last. Did they have any interest in the dividend enclosure, or were they interested only in the check that was in the same envelope? How did they like our annual report? Even, we might ask them, what did they think about the management?

It is easy to be dogmatic about the answers to these questions, and many a vice-president will reel off the answers at the drop of a hat. The trouble is that none of them agree. So we decided to make a conscientious effort to discover what the story actually was. We thought best to concentrate on the common stockholders only. We felt that, for the present at least, we could take it for granted that the holders of the preferred stock were dyed-in-the-wool investors, interested primarily in safety and income, and content with a fixed return. We also feel that their reactions to our stockholder relations activities would be about the same as the common stockholders'.

Bulk of Shareholders Are Individuals

Of approximately 124,000 names in which the common stock was registered, we found that about 108,000 represented individuals—men, women or joint ownership. We assumed that the stock standing in the names of bank nominess, brokers and other fiduciaries,

(Continued on page 32)

*An address by Mr. Sutton before 16th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 3, 1948.

Is Britain's Austerity Drive Slackening?

By PAUL EINZIG

Noting recent official optimistic statements in Britain on economic prospects, despite increase in export deficit, Mr. Einzig sees nothing in situation to justify a reversal of austerity drive. Foresees possibility of exhaustion of gold resources by end of year, and adoption of new series of austerity measures.

LONDON, ENGLAND—The publication of the foreign trade figures for April, showing a further increase of the import surplus, was followed by the issue of an explanatory statement by the Treasury, in which the significance of the increase of the trade deficit during the last two months was sought to be minimized. The official statement points out that the additional import surplus does not mean an additional dollar drain, for most of the surplus imports come from soft currency countries. Various other reasons are given in order to reassure the public. Nor is this statement an isolated gesture. It is keeping with the series of optimistic statements and optimistic measures that followed each other during the last month or two. It is interpreted in many quarters as an indication that the government has slackened its austerity drive.

Dr. Paul Einzig

Earlier this year the government was accused of trying to paint a too gloomy picture of Britain's economic prospects, in order to frighten people into working harder and submitting to austerity measures. Indeed some of the official documents published were inclined to concentrate on the adverse factors, and some of the speeches made by Sir Stafford Cripps and other members of the government were inspired by a high degree of pessimism. Whether that "strength through gloom" policy was right or wrong, it is certain that nothing has happened during the last few months to justify its reversal. For in spite of the adoption of the Marshall Plan, the outlook of the British balance of payments is still very gloomy. The adverse trade balance is much larger than was anticipated. The drain through allocations to Sterling Area countries is also very heavy. Export prospects are growing worse. By the look of things, closer co-operation with Western Europe will involve for Britain additional sacrifices. Allowing for all this, there seems to be no reason for taking a more optimistic view than a few months earlier.

And yet, the government went out of its way to tell the British public that there is no need to worry about the increase of the import surplus. But for the reassuring statement the effect of the figures might have been a salutary response to the government's campaign in favor of higher outputs, stable wages and lower profits. Since, however, the Treasury expressed the view that things are not so bad as would appear from the trade figures many people will tend to be less inclined to practice self-denial than they would have been otherwise.

In any case, the relaxation of most of the austerity measures taken last year is liable to convey the impression that the worst of the balance of payments crisis must be over. British tourists can now go abroad once more, even though they cannot go to every country, and can only spend half as much as they could before the allocation of exchange allowances for travelers abroad was suspended. The use of petrol for motorists, even in the absence of any special justifying circumstances, is once more possible within limits. The import of films is being resumed. Clothing rations are increased. No doubt in each one of these instances and in other instances where austerity measures have been reversed a good case can be made out in support of the government's decision. The sum total of these decisions is, however, a reversal of the government's whole austerity policy. And now the Treasury has actually taken the trouble to tell the public not to take a very grave view of the balance of payments prospects!

That the Treasury itself does not share the optimistic views it seeks to convey is indicated by the fact that some two months ago, when the trade balance began to deteriorate, the publication of monthly figures of gold sales by the Treasury was suspended. This fact seems to indicate that, notwithstanding the optimistic statement, gold losses must be rather on the heavy side. When in October, 1947 Mr. Dalton decided to publish the monthly gold figures it was in order to provide a simple indice showing the gravity of our position. Why then, it may well be asked, should Sir Stafford Cripps have decided to suppress this indice or at any rate to reduce its effect by publishing quarterly figures instead of monthly figures? The public is kept a little longer in ignorance of the extent of the gold losses. This again is not likely to help the government in its campaign for higher output and austerity.

The government must be only too well aware that in spite of Marshall aid its gold resources cannot last much beyond the end of this year if the dollar drain should continue at the present rate. One should have thought that in the circumstances the austerity drive would be intensified, if only in order to offset the unavoidable unwarranted optimism created by the adoption of the Marshall Plan. It is as perplexing as is disappointing that the government should choose to adopt the opposite course.

Conceivably the change of policy may be due to a desire to counteract the excessive pessimism that prevails abroad about the prospects of sterling. Possibly it may be the consequence of the improvement of industrial output, as a result of which the government may feel it can afford to slacken its austerity drive. Those who try to see 12 months ahead are inclined, however, to shake their heads with disapproval. For it is difficult to see how the adoption of a new series of very stringent austerity measures can be avoided later, if the gold reserve declines below danger level. What, then, is the object of the government's present "synthetic" optimism?

With Fusz-Schmelzle & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Vincent P. Ring, Jr. has joined the staff of Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the St. Louis and Chicago Stock Exchanges.

From Washington Ahead of the News

By CARLISLE BARGERON

The set-to between Senate President Arthur Vandenberg and Chairman John Taber of the House Appropriations Committee over the latter's cut in Marshall Plan funds will point up a serious division in the Republican ranks on the eve of their convention. It may very well have a bearing on their Presidential nominee.

Carlisle Bargeron

It is no mere impetuousness or deep concern over what might happen to Europe that is prompting Vandenberg to make a personal appearance before the Senate Appropriations Committee to urge that the cut be restored. The gentleman, in spite of his coyness of the past few months, is definitely an aspirant for the Presidency. I don't suppose you could call him a "candidate" because of the strategy he has pursued of not permitting his name to be placed before the convention by the Michigan delegation and of discouraging popular activity in his behalf.

But work is being quietly done for him and money is being raised to put him over.

His purpose in going before the Senate committee is to highlight his new internationalism, his global thinking, and to emphasize to the global thinkers generally that unless he becomes President, the Marshall Plan is in jeopardy after the first of the year—and there is not much doubt in my mind that it would, in its present highfalutin' state, be in jeopardy with Taft, Bricker, Joe Martin and probably Dewey in the White House.

Aid to Europe would not be cut off, certainly not. But our whole foreign policy would be given a more realistic approach and Heaven knows, it needs to be.

We would continue to "recognize our world leadership and the responsibility it entails," but we would not completely subordinate our domestic problems to those of Europe. And you would be amazed at how quickly the European problems and the crises would dissipate. In short, our thinking would shift more to the American scene, because these men, Taft et al, have simply not ascended to the international plateau for their political sustenance.

What Vandenberg is doing is designed to throw the global thinkers into a frenzy of demanding a global thinker for the nominee. He is acting most unusually. As Chairman of the Senate Foreign Relations Committee he piloted the Marshall Plan legislation through the Senate. Ordinarily, that would constitute his job.

Congress is frequently passing authorization legislation, authorizing the expenditure of specific sums for specific projects. But it has been the practice since time immemorial for the Appropriation Committees to then come along and make a detailed study of just how much of the money can be spent at a given time. It has long been understood that just because a certain group has succeeded in passing authorization legislation, it does not follow that the money will be forthcoming. There is, for example, pending authorization for the spending of probably $50 billion on dams, postoffices, rivers and harbors projects and the like.

But the global minders have taken the stand from the beginning that not only did Congress have to authorize their plans right up to the last penny but that the precise appropriation would have to be made.

These estimates, it is claimed, were worked out and pared to the bone by the experts of 16 European nations. They were not. They were prepared right in Washington by the State Department boys.

Senator Taft believes that notwithstanding the accomplished spenders that our global thinkers have become, they cannot possibly get rid of $6 billion in the 12-month period prescribed. Manifestly, if more money should be needed it could be appropriated later—the authorization is already there.

Regardless of how it comes out, it is not just a fight between Vandenberg and John Taber. Back of Taber is the House leadership, including significantly Speaker Joe Martin. His friends have long know that he is available for the nomination in the event the convention gets into a deadlock. And when and if the leaders have to go into the smoke-filled room you can rest assured he will get plenty of consideration.

One thing I don't understand about how the fight developed at this late stage is that it is in conflict with the previous strategy of men like Taft and Martin. Their disposition has been to avoid as much controversy in the party as possible, to go along when their backs were up against the wall of agitation and propaganda, and appropriate for this and that, in the expectation that after next January they would grab most of the money back. But Taber has precipitated the global spending issue now and he would not have done it without the approval of Martin.

It may be that a trap has been sent for Vandenberg with a view to settling the question of his nomination before the convention meets. I notice that both Stassen and Dewey immediately ran into the global thinkers' embrace. Stassen would be expected to do nothing else. Dewey may have made a mistake as he has in the past in switching back and forth between the so-called internationalist and isolationist camps. Maybe not.

But there is this thought: If a compromise candidate does have to be picked out of the hat at Philadelphia, he is not likely to be one who has been identified too closely with either side.

U. G. Roman Joins Staff Of F. I. du Pont & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—U. G. Roman has become associated with Francis I. du Pont & Co., 200 South La Salle Street. Mr. Roman was formerley with Adams & Co. and prior thereto for a number of years with Enyart, Van Camp & Co., Inc.

Akin-Lambert Co. Adds

(Special to The Financial Chronicle)

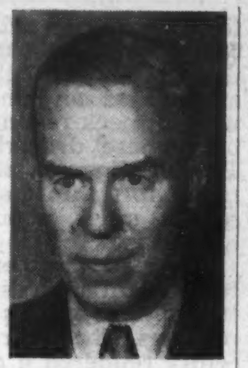
LOS ANGELES, CALIF.—Stanley C. Northrup has been added to the staff of Akin-Lambert Co., 639 South Spring Street.

Hard-Boiled Utilities Regulation in New York State

By CURTIS ter KUILE*

Writer contends "hard-boiled" regulation by New York Public Service Commission is discouraging equity capital in New York utilities. Says Commission refuses to take long-term view of need for higher utility earnings and cites cases in which Commission enforces stubborn adherence to its mandates. Reveals other State Public Service Commissions follow more liberal policies.

A short time ago the public utility analyst for a large investment trust remarked that the trust held no securities of New York State utilities, and that under existing circumstances he would not recommend any. He said he was forced into this decision by what he termed the "destructive" attitude of the New York Public Service Commission toward the earning power of companies under its jurisdiction.



Curtis ter Kuile

While this may be an extreme view, a study of Commission decisions and procedures could easily lead to investors' misgivings. If a utility in New York State petitions for a rate increase, or for authorization of financing, the management knows in advance that the proceedings will require a great deal of expensive detail work, a long period of time, and the possible imposition, as a condition to the authorization, of onerous accounting adjustments extraneous to the case at hand. It knows that, unless it desires to be in position to go to the courts, it may as well dispense with any arguments based on the need for earnings to attract equity capital. It can also expect to be given instructions on how to handle its affairs, and it had better be able to support its case on a short-term basis, as long-term plans will likely be given scant attention.

Case Histories Demonstrate

In February, 1947, Brooklyn Union Gas applied for a rate increase, to compensate for increased operating costs. The Commission thereupon instituted an exhaustive study of the company's entire rate structure.

This study is still in process. Meanwhile, Brooklyn Union has had to revise its original request upward, and to seek two additional rate increases. These increases have been granted, but all on a temporary basis, pending the results of the Commission's rate survey.

While recognition of the company's need for higher rates is helpful, the management is hampered in its planning by the time limits on the increases, and not knowing when the results of the study will be. All this comes at a time when the company is experiencing a huge increase in demand for its services. Since no permanent financing is possible until the rate study is completed, the company has had to incur heavy bank loans for expansion, and has suspended dividends on its common stock—at a time when it is doing the greatest volume of business in its history.

Brooklyn Union is not alone in this predicament. Occasioned largely by a jurisdictional battle between the Commission and the SEC, the reorganization of the Long Island Lighting System has been in process for more than three years. Because of this, the company has been unable to refinance its debt or to finance its considerable expansion on a permanent basis. In this case, too, large borrowings from banks have been necessary, as well as complete utilization of earnings. Consequently, no dividends have been paid on the company's preferred stocks although they have been earned.

In several cases delays in authorizations while minute details have been examined have cost the companies considerable amounts in interest charges. It took Consolidated Edison a long time to effect its wholesale refinancing; consequently a large part of it was done after interest rates had firmed up. The company has had to postpone indefinitely its original plan to replace its $5 preferred with a lower-dividend issue.

Infringement on Management's Functions

Late last year New York State Electric & Gas applied for authorization to sell $10,500,000 first mortgage bonds and $6,000,000 preferred stock, partially to finance a projected three-year construction program of $45,000,000.

The Commission, however, authorized issuance of only $5,500,000 bonds and $3,500,000 preferred on the basis that only $8,000,000 or $9,000,000 would be needed during 1948, and that additional funds could be provided as necessary.

It might be maintained that the management of a utility company is justified in planning as much as three years ahead. It would also seem logical for the management to seek to avoid the detail and expense connected with several applications and registrations, and to be averse to gambling on changes in interest rates. If the conclusion may be drawn that the Commission will approve long-term financing only on the basis of one year's anticipated expenditures, then operations must obviously be on a hand-to-mouth basis.

Stubborn Adherence to Its Own Mandates

At its organization in 1904, Rochester Gas & Electric set up its original plant account as an unclassified amount. In 1918 the Public Service Commission segregated the original figure, classifying as valid cost, among other items, $4,600,000 as water rights.

In 1943, however, the Commission disregarded its 1918 findings, and ordered that $3,832,171 of the $4,600,000 water rights figure be charged off. On appeal by the company, the Appellate Division of the New York Supreme Court, on July 8, 1946, annulled, vacated and set aside the Commission's order, and the Commission filed no appeal.

But when Rochester Gas & Electric applied in 1947 to issue bonds and preferred stock, the Commission made approval contingent on the write-down not only of the water rights figure, as noted above, but also of some $1,007,843 of items having similar legal background. Again the company was forced to resort to the courts (even though the needs for funds was immediate), resulting in a decision by the Appellate Division on Jan. 7, 1948, annulling the Commission's determination.

In its decision, the Court pointed out that it had already annulled the determination of the Commis-

(Continued on page 38)

*The writer is a graduate mechanical engineer, Cornell University. He has been engaged in engineering and the investment business for many years; is a member of the Cornell Engineering Society and the New York Society of Security Analysts.

The Oil Industry: Yesterday, Today and Tomorrow

By GUSTAV EGLOFF*
Universal Oil Products Company, Chicago, Ill.

Dr. Egloff traces rapidly expanding oil consumption and describes U. S. oil producing and refining capacity. Notes increased use of by-products and petrochemicals as well as synthetic fuel oils, and contends high subsidies would be necessary if synthetic products are to be put on the competitive market. Contends, as an investment, "there is no better buy on market today than oil company stocks."

Since the beginning of the oil industry 90 years ago it has grown to colossal proportions. It is providing over 5,000 products which are as essential to our mode of life as food, clothing, and shelter. The progress of the oil industry is a matter of primary concern to every one in our Nation.

Dr. Gustav Egloff

Petroleum has assumed the new loads imposed by our rapidly increasing power requirements and has been displacing coal as our primary energy source. In the past 30 years coal has been a static industry, while petroleum production has increased nearly six times. Coal output in 1918 amounted to 636,000,000 tons and about the same this year. Petroleum production, however, increased from 356,000,000 barrels in 1918, to 2 billion in 1948. Thirty years ago coal furnished 82% of our energy requirements, and oil only 15. Now coal furnishes 49% and petroleum and natural gas 47. The use of liquid and gaseous fuels in place of coal has become popular because of convenience in handling, ease of control, and cleanliness.

Petroleum Demand

At war's end a 20% drop in demand for oil products was predicted, but actually the demand increased over 20%. Prewar there were 34,100,000 motor vehicles in the United States, while in 1948 these have increased to over 38,000,000, despite restrictions and difficulties in production. Not only has the number of automotive vehicles increased but they are being driven longer distances and are therefore consuming increased volumes of gasoline and lubricating oil. Commercial aviation is also showing marked increases. Prewar, our domestic airlines had 359 planes, with an average of 17 seats per plane. In 1947 they had 810 with accommodations for 30 pasengers per plane. The miles flown have increased from 133,000,000 in 1941, to 356,000,000 in 1947. Other demand trends are: increased demand for kerosene and distillate fuels instead of coal for heating, increased use of Diesel engines in busses, trucks, and locomotives, and increasing demands for national defense.

Supplying fuels for the rapidly increasing numbers of Diesel engines and household heating units presents problems which are being met by changes in refining methods as well as increased oil output. Between 1941 and 1947 oil burning home heating units increased from 2,400,000 to 3,600,000.

Despite continuing high demands the petroleum industry faces the future with confidence. Given the proper economic and political atmosphere, the industry will meet all demands as it always has. The industry is finding and producing more oil, providing pipe lines, tankers and tank cars for transportation, enlarging its refineries, and expanding its marketing facilities as rapidly as steel can be obtained for construction. The U. S. oil companies are spending $4 billion at home and abroad in 1948, and $13 billion is marked for world expansion in the next few years. One company alone has announced expenditures of a billion dollars in 1948 and 1949.

*Address by Dr. Egloff at 57th Convention of Illinois Bankers Association, Chicago, Ill., June 4, 1948.

Production and Reserves

At the present time over 5.5 million barrels of crude oil is being produced daily in the United States. During this year total production will be about 2 billion barrels. With this enormous output the question may be asked—how long can it be maintained without depleting our reserves?

About every five years in the history of the industry, dire prophecies have been made about an impending shortage. Every time the howl has been raised it has been answered by increased production and improved refining methods. Since the founding of the industry, 35 billion barrels of oil have been produced, and still our proven reserves are higher than they have ever been. The oil thus far produced would not fill a hole in the ground of two cubic miles, an insignificant portion of the earth's crust. The U. S. reserves as of today are over 25 billion barrels, and last year over 700,000,000 barrels of crude oil were added to our reserves.

These figures all refer to proven oil reserves, meaning those which can be recovered with present production methods. They do not take into account oil which will certainly be derived from extensions of present known fields or at greater depths, nor do they consider new potential oil fields. The undiscovered reserves are undoubtedly much greater than the proven. Petroleum geologists believe that in continental United States there are 1,500,000 square miles of land area favorable to the underground existence of oil. The entire current production of crude oil is coming from about 7,000 square miles. Thus only about one-half of 1% of the potential oil fields are producing. The possibilities of future oil discoveries are enormous.

Widespread exploration, using all the tools of modern science, is going on in the United States. The areas being explored include not only land, but also the continental shelves under our coastal waters, which geologically have all the markings of oil producing fields. Drilling is under way in the Gulf of Mexico 30 miles off the Coast of Louisiana. The engineering difficulties in this hurricane area have been stupendous since platforms for supporting drilling equipment must be on piles extending 30 feet above mean sea level to avoid the battering of wind and waves. One well in the Gulf, 10 miles from New Orleans is yielding 900 barrels of oil a day from a depth of 1,700 feet, and indicates a reserve of 100,000,000 barrels of oil in this area. Another well drilled five miles from land is down to 13,000 feet, and a well 30 miles out has encountered salt domes similar to those associated with producing wells on the mainland.

It is believed that there are at least 2.5 billion barrels of oil under the ocean off Southern California. The continental shelf at this point is 100 to 600 feet under water but production engineers are nevertheless planning drilling operations on man made islands. These will be similar to one built in the Gulf, which is a steel platform having an area of over 40,000 square feet. Tunneling under the shore is also being considered, as well as an "inverted bottle" with its neck resting on the ocean bed where drillers could work. The continental shelf area adjacent to California is about 4,500 square miles, about the size of Kentucky.

Oil men are certain that the continental shelves will add over 100 billion barrels of oil to our reserves. The Supreme Court recently rendered a decision giving the Federal Government rights to the oil under the continental shelves, which was previously owned by the States. The House of Representatives, however, has voted nearly ten to one to nullify the Supreme Court's decision and return title to the States, many of whom had already granted rights for prospecting. Control of oil lands by the Federal Government has always slowed up development. If they are in the hands of private companies, exploration and production would be accelerated.

Deeper drilling in proven areas will also add to our reserves. The average well depth for 1948 is around 3,600 feet, but there is one producer at 16,500, and many wells with important production deeper than 12,000.

There are enormous amounts of oil still left in fields where normal production under indigenous pressure has declined. The sands and shales in such fields still hold from 40 to 80% of the oil originally present. By repressuring oil formations with water or gas, more oil is produced. Oil wells are frequently treated with acids to increase production. The amount of oil recoverable by these "secondary" methods will add many billions of barrels to our supply.

The oil produced is being transported in a network of 360,000 miles of pipe lines. 170,000 tank cars, and nearly 2,000 tankers in world wide service.

Refining

For refining our crude petroleum there are now 369 refineries with a daily capacity of 6,000,000 barrels. About 5,500,000 barrels a day are charged to the stills of these refineries, which are producing 2,400,000 barrels of gasoline as well as distillate fuels for household heating and Diesel engines, residual fuel oils, lubricants, and special products. The extreme flexibility of modern refineries permits the output of various products to be adjusted to seasonal and other varying demands.

Oil refinery research and development are at a high tempo to utilize maximum quantities of oil and refine it with a minimum of loss. The industry is utilizing every current scientific discovery or technical advance to improve its methods. Refiners are not wasting a drop of oil, even some of the smell being used to odorize city gases.

One of the amazing developments in oil refining is the Fluid flow catalytic cracking process which uses powdered catalyst. In this process the catalyst is carried along by the vapors of the gas oil to be cracked and is maintained in a state of high turbulence in the reaction chamber. The catalyst becomes coated with carbon, overflows from the cracking zone and

(Continued on page 36)

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Attractive Speculations—List of interesting low-priced stocks—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Curb Common Stock Issues With Long Dividend Records—New York Curb Exchange, 86 Trinity Place, New York 6, N. Y.

Long Island Laboratories—Brochure describing various scientific laboratories on Long Island and what they are doing—Business Development Department, Long Island Lighting Co., Mineola, N. Y.

Oil Company Reserves and Production—Study—Elworthy & Co., 111 Sutter Street, San Francisco, Calif.

Plant Locations—Map of area served in Indiana, Kentucky, Michigan, New Jersey, Ohio, Tennessee, Virginia and West Virginia showing power lines of the company and principal natural resources—American Gas and Electric Co. System, 30 Church Street, New York 8, N. Y.

Three Ways to Make Money in Wall Street—Discussion of Scientific measurement of mass financial opinion—W. E. Burnet & Co., 11 Wall Street, New York 5, N. Y.

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Abitibi Power and Paper Co., Ltd.—Data — Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y.

Acme Steel Co.—Memorandum —A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Ill.

J. D. Adams Manufacturing Co. — Data — Indianapolis Bond & Share Corp., 129 East Market Street, Indianapolis 6, Ind.

Alleghany Corporation — Study —Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a leaflet of current **Railroad Developments.**

Bank of Manhattan Company—Circular—Laird, Bissell & Meeds. 120 Broadway, New York 5, N. Y.

Best Foods, Inc.—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Also available is a circular on **Studebaker.**

Bloomington Limestone Corp.—Description—George Birkins Co., 40 Exchange Place, New York 5, N. Y.

Bullock's Inc.—Analysis — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Central Arizona Light & Power Co.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available are analyses of the **Grand Union Co.,** and **Rockwell Manufacturing Co.**

Champion Paper & Fibre Company—Memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Clearing Machine Corp.—Bulletin — Strauss Bros., Inc., 32 Broadway, New York 4, N. Y.

Consolidated Rock Products Co. — Memoranum — Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Also available is a card memorandum on **Clary Multiplier Corp.**

Continental Diamond Fibre Co. —Data—DeHaven & Townsend, Crouter & Bodine, Packard Building, Philadelphia 2, Pa.

Also available is a circular on **American Optical Company.**

Corporate Investors Limited—Data—S. R. Mackellar & Co., 27 Melinda Street, Toronto, Ont., Canada.

Hearst Consolidated Publications — Memorandum — Straus & Blosser, 135 South La Salle Street, Chicago 3, Ill.

Keyes Fibre — Description—A. G. Woglom & Co., Inc., 49 Federal Street, Boston 10, Mass.

Also available is descriptive material on **West Point Manufacturing Co.** and **Moxie.**

Kingsburg Cotton Oil Company — Card Memorandum — Bennett, Spanier & Co., 105 South La Salle Street, Chicago 3, Ill.

Lone Star Steel Co.—Analysis —Walker, Austin & Waggener, Republic Bank Building, Dallas 1, Texas.

Los Angeles Department of Water and Power—Bulletin on current developments in the metropolitan water district of Southern California—Heller, Bruce & Co., Mills Tower, San Francisco 4, Calif.

Maryland Casualty Co.—Analytical report—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Metal Forming Corporation — Current bulletin — First Colony Corporation, 52 Wall Street, New York 5, N. Y.

Ohio-Apex, Inc. — Circular — Doolittle & Co., Liberty Bank Building, Buffalo 9, N. Y.

Oil Exploration Co. — Data — Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Pacific American Investors, Inc. —Analysis—Kitchen & Murphy, 135 South La Salle Street, Chicago 3, Ill.

Paraffine Companies, Inc.—An investment study—Dean Witter & Co., 45 Montgomery Street, San Francisco 4, Calif.

Parker Appliance Company — circular — du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

Portsmouth Steel Corp.—Data—Buckley Securities Corp., 1420 Walnut Street, Philadelphia 2, Pa.

Also available are data on **Central Illinois Public Service Co., Seminole Oil & Gas,** and **El Paso Electric Co.**

Public National Bank & Trust Co.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Also available is an analysis of **Miles Shoes, Inc.**

Servel, Inc. — Memorandum — Bendix, Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

Skilsaw, Inc.—Revised bulletin —Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Illinois.

South Carolina Electric and Gas Co.—Memorandum in "Fortnightly Investment Letter"—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

In the same issue are briefs on **Trend in Bond Prices, Illinois**

(Continued on page 10)

Steel Supply vs. Demand—A Continuing Struggle

By DAVID F. AUSTIN*

Vice-President, United States Steel Corporation

Asserting free competitive enterprise is seriously threatened, prominent steel executive defends steel industry's accomplishments and notes its rapid expansion in recent years. Decries demands for fantastic capacity increase, and points to cooperation with government in voluntary allocation program. Sees no necessity for resort to government controls and outlines industry's program of voluntary cooperation to regulate production, distribution and prices.

If the progress of our nation can be attributed to any single factor, that factor is freedom: freedom of the individual, freedom of worship, freedom of government and freedom of enterprise. Free men have learned that wars of aggression are unprofitable, and that human energies are more productive when devoted to the creation and exchange of useful goods and services.

David F. Austin

Four years of global conflict—in which we took upon our shoulders the major economic burden of history's costliest war—made necessary the temporary sacrifice of *certain* freedoms in order to assure continuing, all-embracing freedom. This temporary sacrifice we made with good cheer during the war.

The distorted economy of the unpredictable postwar era, however, has led some men to believe that a too-quick return to economic freedom is dangerous. They believe that our ultimate supply-demand adjustments can be fully attained only under some yet-to-be designed system of controlled economy.

I take issue with this point of view.

But my concept of what should be done is not the unanimous concept of *all* American citizens. It is for this reason that I claim that the system of free, competitive enterprise, as we understand it, is today seriously challenged.

Tempo of World Affairs

Today, as we look into the future, we find the tempo of world affairs at a crescendo unparalleled in our peacetime history. Unless prudently handled, the impact of coming events may well produce chaos. So that we all better understand and fully appreciate the scope of this challenge, I should like to briefly review for you the progress which the Steel Industry has made since war's end.

Hardly had the tumult of victory died away before the Steel Industry set about the task of deleting from its mill schedules those wartime items no longer required, substituting those products best suited to speed the nation's return to a peacetime economy.

Within a month, peacetime production matched wartime's stride. As a result, shipments for the years 1946 and 1947 exceeded the total shipments of any like period in the Industry's peacetime history. Discounting work stoppages in plants and mines, these two years constitute the longest peacetime period since the turn of the century during which the Industry operated in excess of 90% of capacity. Had there been no work stoppages, or raw material shortages, this same period would have yielded an additional 20 million tons of finished steel products, an impressive total equaling almost one-third of a full year's production, at capacity operation! Had this tonnage been added to actual production, it might well have brought supply and demand into balance—if not in all products, certainly in many.

*An address by Mr. Austin before the General Meeting of the Iron and Steel Institute, New York City, May 27, 1948.

Steel Industry's Achievements

Much has been heard concerning the need for further increases in capacity, but far too little credit has been given to the Steel Industry for its truly remarkable production achievements. At war's end, the Steel Industry found itself with plant and equipment battered and worn by operation at forced draft for six long years, a battering hardly less destructive than if it had been caused by an enemy barrage. Yet without complaint, the Industry accepted the dual task of rehabilitation and of continued capacity operation.

In the light of the foregoing, an average operating rate of 70% during the past two years would have constituted a creditable performance. To have performed at the actual rate of 92% during that period which was free from strikes, warrants the term "miraculous performance" and the public's highest praise of management and labor alike.

Production records in industries such as the automotive, home appliances, cans and containers farm implements, and many others are a tribute to those industries. But they are a still greater tribute to that industry which—in spite of worn tools; in spite of shortages of manpower, scrap, coal and pig iron; in spite of work stoppages, slowdowns, and a host of other retardants—turned out the basic steel to support unprecedented employment and the largest peacetime production in the history of our nation.

Dangers of Over Capacity

Our critics today demand almost fantastic increases in capacity. It is one of life's grim ironies that we find among them those who, nine years ago, were equally articulate in criticizing what they termed the over-built condition of the Steel Industry at that time.

If our objective is to support full employment at high wages, with production at the highest level in the nation's history, then we are nearing the attainment of that goal. If, inversely, our objective is to create a price structure for steel products far beyond the average citizen's ability to pay, vast unemployment and ultimate lowering of our living standards, the construction of a greatly increased capacity at today's costs is the most certain way to bring about such a result.

Those of short memory fail to take into consideration the historic pattern of the demand for steel when they reach a conclusion that greatly increased capacity is warranted at this time. They ignore the fact that there was not a single peacetime year from 1900 to 1939 during which the Industry was called upon to operate as high as 90% of capacity. There were but seven years in which the production rate exceeded 80%; nine in which the rate was in the 70's; and ten more when the rate was between 60 and 70%. Of the remaining 11 years, three were in the 50's, and the average for the other eight was 36.1%.

Further, these critics disregard the normal relationship between domestic supply and demand in terms of per capita trends based on the same period. After making a proper allowance for export on an historical basis, a projection of the normal trend of per capita consumption for 1948 indicates a consumption of 565 pounds per person. This figure, although mathematically correct, is weighted by the low volume of consumption during the depression years and excludes wartime influences. Against it set the figure of 846 pounds, the per capita productive capacity of the Steel Industry today.

Normal Trend of Steel Production

Restated, based on the last 48 years, the normal trend line of steel consumption has risen at an average annual rate of 5.4 pounds per person, while the capacity to produce steel has increased at an annual rate of 8.2 pounds per person. If we base our reasoning on this premise alone, it would appear that the Steel Industry has available today more capacity than is required. But since there is considerable evidence to warrant an opposite conclusion, it becomes readily apparent that we must search further and examine the abnormalities in the present situation.

Today, any discussion of the relationship of supply and demand which fails to examine the problem in the light of the international situation ignores important factors and inevitably leads to erroneous conclusions.

Within the Industry, earlier this year, practically all students of supply and demand forecast a slackening demand for many steel products during the final quarter. Indeed, in late February, there appeared unmistakable signs that the demand for many consumer items was diminishing, with increased availability the immediate result.

Passage by Congress of the Economic Cooperation Act of 1948, together with President Truman's message to Congress on March 17 requesting additional funds for defense, reversed this trend. The problem which the Industry faces today is no longer confined to domestic and normal export requirements — it has become far more complicated. We have temporarily become the steel source for the whole peace-seeking world, just as during the war the United States became the arsenal of the Allies.

No further proof of the international aspect of our problem is needed than the simple fact that in 1937 the United States accounted for 38% of world production of steel, while in 1947 we produced more than 56%. Experienced analysts have placed this percentage as high as 59% by discounting Russia's questionable claims.

This increase has resulted largely from curtailed production in foreign countries and only in smaller part from an increase of 15% in our capacity since 1939. Germany, with a prewar production of 25 million tons, produced but four million tons in 1947—16% of her prewar total. Japan, with a prewar production of eight million tons, had dropped by 1947 from fifth place to fourteenth place among the steel producing nations of the world.

In contrast, England, with a prewar production of 14,500,000 tons, achieved during 1947 a total output of 14,200,000, and is now producing at an annual rate of over 15,000,000 tons.

If devastated nations abroad are to be rebuilt on a sound economic basis, without continuing subsidy from this country's resources, then inevitably the Steel Industry must make a major contribution during each of the next several years. There is no option!

On December 30, 1947, the Congress enacted Public Law No. 395.

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Illinois Brevities

An underwriting syndicate headed by Halsey, Stuart & Co. Inc. on June 3 publicly offered $60,000,000 Illinois Bell Telephone Co. first mortgage 3% bonds, series B, due June 1, 1978, at 102.75 and interest, the net proceeds to be used towards repayment of advances by American Telephone & Telegraph Co., parent, which amounted to $99,400,000 on May 31, 1948. Other Illinois investment bankers who participated in this offering were Ames, Emerich & Co., Inc., William Blair & Co., H. M. Byllesby & Co. (Inc.), Cruttenden & Co., Paul H. Davis & Co., Dempsey & Co., Carter H. Harrison & Co., Mason, Moran & Co., McMaster Hutchinson & Co., Mullaney, Wells & Co., Alfred O'Gara & Co., Patterson, Copeland & Kendall, Inc., Robert Showers, Welsh, Davis & Co. and F. S. Yantis & Co., Inc.

The Illinois Bell Telephone Co., 99.31% owned by its parent, also intends to offer 389,995 shares of its common stock pro rata to shareholders for subscription on or before July 1, 1948 at par, $100 per share, and to apply the proceeds from the sale of such shares toward repayment of advances from the American company then outstanding.

The Illinois Bell Telephone Co. is engaged in the largest construction program in its history.

* * *

Halsey, Stuart & Co. Inc. also on June 3 headed an investment banking syndicate which publicly offered $10 million of first mortgage bonds, series B, 3%, due May 1, 1978, of The Narragansett Electric Co. at 102.39 and interest. The Illinois Co. and Mullaney, Wells & Co. also participated, together with five other underwriters, in this offering.

* * *

Illinois Commercial Telephone Co. announces that at the close of 1947 additional funds obtained by short term bank loans amounted to $1,800,000 and that "it is the intention of the company to prepay the bank loans by issuing securities of a permanent character at a future date." At Dec. 31, 1947, there were also outstanding $5,750,000 of first mortgage bonds, 3⅜% series, due July 1, 1974. It is planned to borrow additional amounts from banks pending the permanent financing.

* * *

Included among the group of underwriters who on May 27 offered $30 million National Dairy Products Corp. 3% debentures due 1970 at 102 and interest were: Halsey, Stuart & Co. Inc., Harris, Hall & Co. (Inc.), A. C. Allyn & Co., Inc., Central Republic Co. (Inc.), A. G. Becker & Co., Inc., William Blair & Co., Kebbon, McCormick & Co., Ames, Emerich & Co., Inc., Bacon, Whipple & Co., Julien Collins & Co., The Illinois Co. and Mitchell, Hutchins & Co. The net proceeds will be used to pay for capital expenditures and to repay bank loans, which at May 26, 1948 amounted to $13 million.

* * *

Link-Belt Co., Chicago, is offering 11,845 shares of its common stock (without par value) to a selected group of officers and employees entitled to participate in the Additional Provisional Compensation Plans of the company or its subsidiaries. The initial offering price is $46 per share, which price is subject to change by action of the board of directors. On all shares sold after Dec. 31, 1948 and prior to April 1, 1949, the sale price will in no case be less than the book value of the shares as of Dec. 31, 1948. The offer to sell the shares expires April 1, 1949. The book value of the shares as of Dec. 31, 1947 was $45.97 per share. The net proceeds will be added to working capital.

* * *

On June 1 Halsey, Stuart & Co. Inc., and associates won the award of $7,120,000 Chicago, Milwaukee, St. Paul & Pacific RR. 2% equipment trust certificates, series DD, maturing $356,000 semi-annually each Dec. 1, 1948 to June 1, 1958, inclusive. The certificates were immediately reoffered at prices to yield from 1.25% to 2.35%, according to maturity.

* * *

The offering to the common stockholders of National Gypsum Co. of record May 10 to subscribe for 422,467 additional shares of common stock at $13.50 per share on or before May 24 was underwritten by a group of 46 investment firms, which included, among others, Central Republic Co. (Inc.), Bacon, Whipple & Co. and Julien Collins & Co.

* * *

Kebbon, McCormick & Co. and associates, including Ames, Emerich & Co., on May 19 publicly offered 162,435 shares of Bareco Oil Co. common stock (par $1) at $8 per share, for account of Phillips Petroleum Co.

* * *

On May 10, Domestic Credit Corp., Chicago, entered into an agreement for the private sale of $1,250,000 of its 4% sinking fund debentures, series A, maturing April 1, 1958, the net proceeds to be used to replace an equivalent amount of current bank borrowings.

Domestic Credit Corp. is also currently offering 150,000 shares of its class A common stock (par $1) to its employees, executives and management personnel at $3.49 per share, payable in monthly instalments over a period of 10 years. The net proceeds will be added to working capital.

Net operating revenue of Esquire, Inc. (Chicago) and its subsidiaries from all sources—advertising, subscriptions, newsstand sales, commercial calendar, Coronet Instructional Films and Esky Buy-Products — was $13,745,072 for the year ended March 31, 1948, which is within 1½% of the previous year's revenue, the highest in the company's history. Net profits, after Federal taxes, were $342,388, or 76 cents per common share, as compared with $970,764, or $2.15 per common share, for the year ended March 31, 1947. Current assets at March 31, 1948 amounted to $4,460,027, as against current liabilities of $1,275,220.

* * *

Glore, Forgan & Co., Paul H. Davis & Co., Bacon, Whipple & Co., Central Republic Co. (Inc.) and Julien Collins & Co. were included in the list of investment bankers which on June 3 publicly offered 1,000,061 shares of North American Aviation, Inc. capital stock (par $1 per share) at $12.75 per share, which were offered for the account of General Motors Corp.

* * *

Net profit of Peabody Coal Co and its subsidiaries for the fiscal year ended April 30, 1948, after charges and Federal income taxes, was $2,420,931, equal to $2.55 per share on the common shares now outstanding. This compares with a net of $1.419,226, or 93 cents per share on the same number of common shares, for the year ended April 30, 1947. Current assets at April 30, 1948 amounted to $11,232,024, while current liabilities totaled $5,329,620.

* * *

A banking syndicate headed by The First Boston Corporation, New York, N. Y., and Harris, Hall & Co. (Inc.), and including, among others, A. C. Allyn & Co., Inc., Central Republic Co. (Inc.), Julien Collins & Co. and The Illinois Co., on May 12 publicly offered 800,000 shares of 4.56% cumulative convertible preference stock, par $25, of Southern California Edison Co. at $26.25 per share and dividends.

* * *

W. F. Hall Printing Co., Chicago, in its report for year ended March 31, 1948, states that consolidated net earnings, after charges and Federal income taxes, amounted to $2,703,836, or $2.70 per share on 1 million common shares outstanding, compared with $3,047,084, or $3.05 per common share, for the previous year. Sales for the year again increased substantially to a new all-time high. "However," the company states, "because of increased operating costs and expenses, due largely to rising labor levels, there was a decline in net income." Total current assets at March 31, 1948 were $14,135,383, against total current and accrued liabilities of $4,823,314, with a resultant ratio of 2.93 to 1. The book value of the common stock was $16.47 per share.

* * *

On May 12, an underwriting syndicate headed by Lehman Brothers and Blyth & Co.. Inc., publicly offered 680,000 shares of $5 par value common stock of Halliburton Oil Well Cementing Co. of Duncan, Okla., at $25 per share. The Chicago bankers participating in this offering were: A. C. Allyn & Co., Inc., Bacon, Whipple & Co., A. G. Becker & Co., Inc., Central Republic Co. (Inc.), Julien Collins & Co., Paul H. Davis & Co., Farwell, Chapman & Co., The Illinois Co., Kebbon, McCormick & Co. and Straus & Blosser. The net proceeds will go to selling stockholders.

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Hargrave Heads Cgo Stock Exchange Board

CHICAGO, ILL. — Homer P. Hargrave, partner of Merrill Lynch, Pierce, Fenner & Beane, was reelected Chairman of the Board of Governors of the Chicago Stock Exchange at the Annual Election of the Exchange held June 7.

Homer P. Hargrave

Robert A. Gardner, Mitchell, Hutchins & Co.; George F. Noyes, the Illinois Co.; and Reuben Thorson, Paine, Webber, Jackson & Curtis were reelected members of the Board, to serve three years. Mr. John J. Griffin was reelected a member of the Board, to serve one year.

Andrew M. Baird, A. G. Becker & Co.; John R. Burdick; Chapin S. Newhard, Newhard, Cook & Co. (St. Louis, Missouri); Sampson Rogers, Jr., McMaster, Hutchinson & Co.; William H. Sills, Sills, Minton & Co., Inc., were elected members of the Board, to serve three years. Messrs. Chancellor Dougall and Leonard J. Paidar, Goodbody & Co. were elected members of the Board to serve one year.

The following were elected members of the 1949 Nominating Committee: Harry M. Payne, Chairman, Webster, Marsh & Co.; Emmet G. Barker, James E. Bennett & Co.; Lyman Barr, Paul H. Davis & Co.; William T. Bacon, Bacon, Whipple & Co.; Ralph Chapman, Farwell, Chapman & Co.

Dealer-Broker Recommendations

(Continued from page 8)

Central's Junior Obligations, and the new **Kansas City Southern** mortgage issue.

Southeastern Public Service Co. —Circular—C. D. Robbins & Co., 810 Broad Street, Newark 2, N. J.

Standard Oil of New Jersey—Analysis and outlook—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Transcontinental & Western Air, Inc. — Analysis and summary — John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Utah Southern Oil Co.—Analysis—Crowell, Weedon & Co., 650 South Spring Street, Los Angeles 14, Calif.

Wisconsin Electric Power Co. vs. Wisconsin Power & Light Co. —Circular—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Looking Forward in Labor Relations

By C. E. WILSON*
President of General Motors

Leading auto concern executive lists as essentials for efficient production: (1) application of technology; (2) cooperation of employees; and (3) uninterrupted flow of material and parts. Says industry faces, among other things, lack of clarity in labor laws and lack of recognized criteria by which fair wages can be determined. Explains General Motors Wage Agreement and says inflation is current problem in wage settlements. Offers four proposals to reestablish, protect, improve and stabilize buying power of hour-of-work, and lays down formula for wage adjustments.

The security, prosperity and well-being of Americans importantly depend on the efficient production of American industry. There are three essentials of such efficient production. The first is the effective application of technology to all our industrial processes. It includes better design of the product. It includes better tools and machinery with which to make the parts. It includes improved organization and administration in doing all the things that have to be done to deliver finished products to the customer, beginning with the raw materials.

C. E. Wilson

The second essential of efficient production is the cooperation of employees. Such cooperation can be expected on the basis of a fair day's pay for a fair day's work. It also involves willingness on the part of employees to accept and use new tools and processes and to qualify for new and different jobs. It requires a clear understanding of the rights and responsibilities of both management and labor. It requires confidence of each party in the other.

The third essential is an uninterrupted flow of material and parts free of interference from industry-wide strikes or artificial restrictions on the use of materials and labor.

I am going to confine my remarks today to the second essential—employee cooperation.

Present Industrial Problems

In developing the subject and as a background for my further remarks, I will attempt to identify the principal problems which all industry faces today.

(1) The real shortages created by the lack of production during the war.

(2) The high cost of food due to heavy exports required to save the peoples of Western Europe from starvation.

(3) The high cost of living resulting from the shortages of all kinds of goods and from the pressure on food supply created by our food exports.

(4) Our national policies of collective bargaining.

(5) The lack of clarity in our labor laws as to what are compulsory subjects of collective bargaining, for example, bargaining over such matters as union security, employee pension and insurance plans, union liability under the Taft-Hartley Law, and similar matters.

(6) The lack of recognized criteria by which fair wages could be determined in collective bargaining with unions, especially during a period of inflation.

(7) The importance of maintaining and improving the efficiency of production.

(8) The problems created by inflation and the necessity of avoiding additional inflation.

The excess purchasing power accumulated during the war in the form of war bonds and other savings currently competes for goods and services with the purchasing power of workmen currently created through their employment. In a period of shortages, this total purchasing power results in bidding up of prices.

(9) The distortion in relative prosperity resulting from the aftermath of the war as between various elements of the population, workmen, farmers, stockholders, businessmen and other self-employed, government employees and retired persons living on incomes and pensions.

(10) The problems of bringing supply into line with demand through greater production. In such conditions as exist today, strikes are recognized as being inflationary as they create additional shortages.

General Motors Wage Agreement

The agreements recently concluded between General Motors and the automobile workers and the electrical workers' unions can be fairly judged by the impact they may have on these 10 problems of today. It seems to me that these agreements are sufficiently important to discuss them as a case example of an effort to solve some of these problems at least in part, especially those problems that may be importantly influenced by the actions of the particular parties.

A complete agreement of all matters at controversy between the parties was made possible by a statement by General Motors to the Unions, made on Friday, May 21. A full appreciation and understanding of what occurred can only be obtained from this statement, so here it is.

We have had 37 bargaining sessions with your committee in an effort to resolve our differences and agree on a contract that would improve the relations between your union and General Motors. We have frankly presented our point of view and discussed the problems as we see them. We have also listened to your presentation of your demands and the situation as you men who represent labor see the problem from your point of view. You have ably presented labor's case. We have carefully gone over and reviewed all of your presentations and demands.

We realize that time is running out, that you have dates that must be met.

Due to the developments in our country in the last few months it is now clear that this group (you men representing labor on one side and the General Motors management on the other) face some very important decisions not only as they affect the equities of General Motors and the employees you represent, but through example, the effect of our action on other industries and labor groups; in fact, on the economics of the whole nation. This is true whether the next few days' deliberations result in agreement or disagreement.

All of us have had first-hand experience with strikes and the effect and aftermath of strikes. We know that you men have the power and responsibility to authorize a strike of General Motors employees if you think that this is the right and necessary thing to do. Likewise, you men know, as we know, that big strikes have many of the same aspects as a war. Some day the conflict will be over and one party or the other may feel that they have won. This is only a relative matter as both the employees and the employer lose. And what is more important, the whole country loses along with them. Strikes create additional shortages and result in more inflation.

Inflation Factors

During recent months in various bargaining sessions throughout the country either labor's economic demands have been refused, no solution reached, and work is continuing under a more or less temporary basis with labor dissatisfied, or large and important strikes have been authorized and are now going on. It is clear that the men who represent industry are risking much in their efforts to prevent further inflation — in some cases reducing prices and saying "No" to labor on their demands for increased wages. We subscribe to the importance of this point of view. At the same time we realize the very real problems the employees face in the increased cost of living. We also know that the negotiations just starting between the United Mine Workers and the mine owners, if not peacefully concluded during the next six weeks, will affect adversely all industry and the nation. Perhaps this group here has about the last chance to reach a fair and realistic agreement of the right thing to do and prevent another round of disastrous strikes such as occurred in the fall of 1945 and the spring of 1946. Perhaps the easiest thing for us to do would be to say "No" to your economic demands following the position generally taken by many other important employers and hope that with better crops this summer the cost of living would go down, that in the meantime your union and its members would be patient and would not precipitate a disastrous series of strikes. This would be leaving all of the responsibility with you. We believe we should share this responsibility and after a careful review of the whole situation we have some ideas that we think might be helpful.

The Union now and in the past has interpreted the worker's problem as a dual one:

(a) The problem of maintaining the purchasing power of an hour of work—in other words, protecting the worker from increases in consumer prices.

(b) The problem of assuring the worker that the buying power of his hour of work will increase as the nation's industrial efficiency improves.

The Union has indicated that its economic demands were designed to deal with both of these objectives.

The facts, as reviewed, may be interpreted to support the Union's contention that GM workers have been placed at a disadvantage by the fact that consumer prices have advanced more rapidly than their hourly earnings.

It has been the record of the past that workers share in the nation's gains of productive efficiency. That is how the standard of living of workers has been brought to new and higher levels over the years. This trend has given American workers the highest standard of living enjoyed by workers anywhere. His hour of work buys more things than an hour of work anywhere else in the world.

What must be questioned and weighed quite carefully in the best interests of all concerned—workers as well as other economic groups—is the approach to a realization of these objectives.

We have given careful consideration to this problem and have reached certain conclusions or how it might be resolved. A broad outline of these conclusions follows:

GM's Suggestions for Resolving the Problem

The war and its aftermath have made our economy extremely sensitive to influences of all types. What we need to work towards now is greater stability as a foundation for future progress. The suggestions we have to offer for a realistic and practical approach to the problem as it affects our employees take into account both the need for stability and the desirability of future progress. Specifically: We propose,

(1) *Re-establish the buying power of an hour of work* on a fair basis—in other words, what the worker has lost through increases in consumer prices during and since the war to be made up on a sound basis;

(2) *Protect the buying power of an hour of work* against changes in consumer prices, by making cost-of-living adjustments periodically during the life of the contract;

(3) *Improve the buying power of an hour of work* so that over a period of years the worker is assured of an improved standard of living;

(4) That the relations between management and labor be stabilized over a substantial period of time.

These proposals are a real forward step. They would strengthen and improve the GM worker's economic position by (a) making up losses in the buying power of an hour's work; (b) protecting that standard against fluctuations in consumer prices; (c) holding out assurance to him of a higher living standard over the years.

These proposals are an effective guarantee of steadily increasing hourly buying power for GM employees. We make them with the full knowledge that we are placing our faith in the future stability and progress of America.

What we propose can only succeed if we can be assured of stable and cooperative relations with our employees. For this reason our proposals must hinge upon your willingness to enter into an Agreement to remain in force for a long-term period. Assurance of cooperation and stability over this period is essential if our employees are to realize the benefits our proposals represent.

We sincerely feel that if General Motors and the UAW-CIO can reach agreement based on these objectives that it would not only be a tremendous forward step in industrial relations but would also be a great force in promoting economic stability and progress in the nation. It would be the type of industrial statesmanship needed now when, in an uncertain world, it is the responsibility of all citizens to help build the prosperity and strength of America.

In order to expedite exploration of these ideas as a possible solution of our problems, we suggest that your group approve a much smaller committee to frankly examine into these proposals as well as other matters, with an equivalent small committee representing General Motors, to see if they provide the basis for a fair and honorable settlement. If this suggestion is adopted, the committee representing General Motors will consist of four people.

Starting Saturday, May 22, and in continuing sessions, adjourning only for a minimum of sleep, the agreement was concluded with the automobile workers in the early hours of Tuesday morning, May 25, and with the electrical workers, about noon on Thursday, May 27.

Perhaps the most dramatic part of the settlement was the new

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*An address by Mr. Wilson before the Rochester Chamber of Commerce, Rochester, N. Y., June 2, 1948.

The Copper Outlook

By JOHN A. DANAHER*
Attorney, Washington, D. C.
Formerly U. S. Senator from Connecticut

Forecasting continued heavy copper demand and consequent threatened shortages of metal, Mr. Danaher urges temporary removal of 4-cent import tax on crude copper be made permanent. Holds we should import as much copper as possible and thus conserve domestic supply for emergencies in case of interference with our shipping lanes. Decries subsidy proposals to stimulate domestic production.

A little over a year ago, the situation confronting American industry had assumed most serious proportions. During the war, approximately 40% of all available copper had gone to munitions, in one form or other. Our domestic production fell far short of meeting our wartime demands. In 1946, the production of refined copper from domestic sources totaled only about 604,000 tons, nearly a quarter of a million tons less than in 1945. Serious work stoppages had resulted in the curtailed production. The government in 1946 from its own stocks supplied some 357,000 tons and made it available to industry. However, commencing in November of 1946, the Metals Reserve Company ceased making new commitments, and what had been a stock pile of 500,000 tons of copper as of Jan. 1, 1946, by March 31, 1947, had been reduced to only 7,000 tons. Incidentally, that particular residue still remains and is available, but undoubtedly will be utilized as part of our national defense stock pile. With an anticipated demand for 1947 amounting to an expected 1,400,000 tons and a maximum expected domestic production of approximately 900,000 tons, it became obvious that our national deficit of 500,000 tons of copper had to be eliminated through imports. There stood the barrier of $80 per ton which, if added to the import price, would promptly have been followed by the domestic price. Obviously, the cost of all copper

John A. Danaher

to all American consumers would have been correspondingly increased.

Mr. C. Donald Dallas, Chairman of the Board of Revere Copper and Brass Incorporated, for some months had been pointing out to American industry the serious straits in which we would find ourselves. Under his leadership, legislation was introduced looking toward the repeal of the import excise tax of four cents per pound. The leaders of American industry rallied to the support of his proposal. Mr. C. E. Wilson of the General Electric Company informed the House Committee on Ways and Means: "If this duty is continued and the price of copper is forced up to the world price, plus the present excise tax, it will not be beneficial even for the copper industry, because it will cause substitutions and postponements of projects which are urgently needed in American industry." He continued in his statement: ". . . . If we are not able to obtain the amounts required from foreign sources it will mean cutting back production in about the same ratio as our copper supply is to our copper requirements . . . Shortage of copper would limit the manufacture of appliances for the home and small apparatus, such as motors, controls, heating units and similar devices which are incorporated in widely used electrical products such as refrigerators, oil burners, farm freezer units and machine tools. These are only a part of the disturbance which would result from an inadequate supply of copper." Officials of the Ford Motor Company informed the Committee that the lack of 20,000 tons of copper would result in the curtailment of production of a million automobiles. The cumulative effect of the shortage of copper on American industry all but staggers the imagination, the uses of copper being so widespread.

Congress acted promptly in the face of the emergency and suspended the import excise tax of four cents per pound until March 31, 1949. Undoubtedly, before that date, the Congress will act once again for the protection of our American economy. It is my belief that Congress actually should repeal the excise tax rather than merely suspend its imposition for there should be no barrier to the availability for American industrial use of an adequate supply of an essential raw material which cannot domestically be produced in quantities sufficient for our needs.

What happened when the four cents excise tax on imported copper was suspended? The Metals Reserve Company in the RFC in March fixed a price of 21½ cents per pound on the remaining copper held for sale. When the Suspension Act became effective April 29, 1947, American importers began bringing in the sorely needed copper. With the exception of a brief period when prices rose slightly, the prevailing price throughout 1947 and down to the present time has been 21½ cents a pound. Our imports over the intervening months have averaged about 40,000 tons per month. In view of the fact that our maximum production of primary copper in 1947 was only 871,000 tons, while we used 1,350,000 tons, it becomes obvious that suspension of the four cents excise levy on imports by Congress was a contribution of the highest order. Not only were the needs of American industry met but the price of copper was stabilized.

Throughout the balance of 1948 and the foreseeable future thereafter we will be faced with the annual necessity of bringing into this country in the neighborhood of 500,000 tons of foreign copper. Our consumers will have to pay for that foreign copper as much as the consumers in other countries are willing to pay for it. Three of our major industries find it indispensable. The automotive industry, the building industry and the electric industry simply must have copper, and the latter, of course, will include the production and transmission of electric power and light as well as the innumerable types of electric equipment and appliances for homes and industry. Approximately 11% of our copper demand will go to the automotive lines, from 11% to 15% arises from building needs, while nearly 50% of the copper demand is from the electric industry. The balance of our copper demand is widespread, and copper consumption is closely linked with the level of business activity, but unless one of the major consumers goes into a totally unexpected decline, copper demand will remain high, approximately 115,000 to 120,000 tons per month.

A second factor of importance to our consideration of the continued demand for copper derives from our participation in the European Recovery Plan. It is expected that over the projected life of ERP, we will be called upon to provide at least between 55,000 and 60,000 tons of copper. The participating nations abroad are

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*Address by Mr. Danaher before the annual meeting of the National Association of Purchasing Agents, New York City, June 1, 1948.

The American Capitalistic Economy

New York State Chamber of Commerce issues a "Statement of American Economic Principles" designed to challenge business thinkers to bury their differences.

A "Statement of American Economic Principles," designed to make a specific contribution to understanding of the American capitalistic economy, was adopted unanimously June 3 by the Chamber of Commerce of the State of New York at its monthly meeting at 65 Liberty Street. The statement, which was sponsored by the Committee on Internal Trade and Improvements, represented more than a year's study of the subject.

B. M. Grant

B. M. Grant, Chairman of the committee, said that the statement, which first had been called a "declaration," was "a challenge to the ability of sound business thinkers to bury their minor differences in opinion and agree upon a broad statement of principles in which most forward looking business people have come to believe.

"The statement is really an interpretation of the application of American principles to the economic problems of this economic age," he added. "People are not interested in pure fundamental economics of the theory of democratic capitalism; their interest lies in whether the system is the best system for them. The big issue, therefore, is how to safeguard the continued progress and development of the country through educational processes."

The statement set forth 10 principles, listed below which the committee believed have been responsible for the nation's outstanding economic progress and which should govern the nation's economic life in the future. The committee felt that the American system's strong points needed more definite emphasis and that abuses should be corrected in order to strengthen the system and make it work even better in the future than it has in the past.

The statement was signed by the following members of the chamber committee: B. M. Grant, Socony Vacuum Oil Co., Chairman; George Coppers, President, National Biscuit Co.; Earle S. Thompson, President, West Penn Electric Co.; LeRoy A. Van Bomel, President, National Dairy Products Co., and John E. Raasch, President, John Wanamaker, Inc.

The Statement of Principles*

(1) Every American is entitled to the fullest and most rewarding use of his abilities and services by engaging in the business or occupation of his own choice, so long as it does not contravene the broad public interest.

(2) An adequate reward, whether it be wages, salary, or return on investment, is the most effective incentive to continued economic progress.

(3) The worker is entitled to a fair living wage, to be determined by individual or collective bargaining free from compulsion or intimidation from any source. He should be able to look forward to economic security in his job, and when he becomes unemployed through no fault of his own, and in his old age.

(4) Management, labor, and the government should do everything within their power to bring about the most productive results in industry and in business. They should cooperate actively in minimizing the stresses and strains on the economic system. They should do everything they can to prevent conflicts from developing and to reconcile clashes of interest. The government should maintain strict impartiality whenever conflicts arise.

(5) Unregulated monopoly, irrespective of its form or its sponsorship, is wholly inconsistent with the American way of life.

(6) Consumer preference should determine the relative values of different products and services, thus determining what is produced and the volume of production.

(7) There should be made available to the consuming public an ever-increasing variety of goods of the most acceptable quality at the lowest possible prices.

(8) Government is the servant of the people—not their master. It should be used only to further the general public interest.

(9) The cost of government should be held at the lowest possible level consistent with efficient and economical performance of only those functions which belong within the province of government. Taxes similarly should be maintained at the lowest possible levels. They should be levied upon the population with a view to the greatest possible equity and justice in sharing of the burden, and especially with a view to the use of those taxes which have the least serious economic repercussions upon overall functioning of the economic system.

(10) Except in time of war or other national emergency, government should not take over or engage in activities which generally are regarded as within the exclusive province of private industry. Government regulation of competitive business should be limited to enforcing rules of fair competition, and should be resorted to only in cases in which the public interest can be protected in no other way.

*Captions only of each section. Text of full explanation available from Chamber of Commerce of State of New York, 65 Liberty Street, N. Y. 5, N. Y.

Mannheimer-Egan, Inc. In New Quarters

ST. PAUL, MINN. — Mannheimer-Egan, Inc., announce the removal of their offices to larger and more beautiful quarters in the First National Bank Building. In honor of the new offices, the firm is distributing a "Redipen" key chain and ball point pen manufactured by Brown & Bigelow, of Minneapolis, and also a combination key and nickel holder marked for "her" and for "him."

The firm, which was established in 1931, acts as participating distributors and dealers in railroad, public utility, industrial, municipal and investment trust issues and bank and insurance stocks.

With Dayton Bond Corp.

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO. — Otto R. Spencer is now affiliated with Dayton Bond Corp., Third National Bank Building. In the past he was an officer of the Estate Acceptance Corp.

Land Values

By ROGER W. BABSON

Commenting on rising land values, Mr. Babson gives as reasons for cautious buying: (1) mortgage indebtedness is reaching danger point; (2) threats of surplus farm and industrial production; (3) decline in buying power of farmers; and (4) recovery of European farm production.

The Agriculture Department in Washington is putting out warnings as to the high prices of farm land. Their agents are advising against the purchase of more property at present prices. Readers are also disturbed by the chart which appeared on page 79 of "Time Magazine" for May 3 of this year.

Roger Babson

The facts are that these big increases in land values are not the same in different sections of the country. Probably the farm values fairly near large cities are abnormally high. They are selling not on their value as producing farms, but rather on their speculative value for subdivisions, etc. This also applies to pasture land near small cities. There seems to be an abnormal demand for "bottom land" which in many cases is selling far above a sensible price.

The special concern of the Agriculture Department, however, is in connection with land being bought on mortgage. They are very much opposed, at the present time, for farmers to buy land for which they cannot pay cash, believing that sooner or later a crash is coming, due to an inevitable decline in farm prices. Of course, the ultimate value of a farm is whether or not it can raise crops which will pay a fair rate of interest on the land after all expenses, and this of course depends upon the price received, as well as the wages and other expenses which must be paid.

City and Town Property

The Federal Reserve Bank in Washington is especially disturbed at the continuous climb in mortgage loans on city and town property. This is probably due in part to the activity of the Federal Loan and Savings Banks in soliciting mortgages. Certainly this should be curbed at the present time. It is wrong for mortgage loans on real estate to be climbing during a period in which business loans are dropping off steadily and are being reduced.

These Federal Loan and Savings Banks must be careful not to be part of a vicious circle whereby some day the property, upon which they are now loaning and which loans are in part guaranteed by the government, will come back into the government's hands. If the government then adopts a policy of selling these houses at auction, the houses for which the veteran now pays $10,000 will be selling in the open market for $5,000 or even less. It is entirely possible that what happened to city and small town real estate in the '30s could easily repeat in the '50s.

Reasons for Being Cautious

There are four definite reasons which people should carefully consider before further bidding up prices for any kind of real estate. These reasons are as follows:

(1) The upward trend in mortgage indebtedness, which in some localities is reaching a dangerous point.

(2) Threats of surplus farm products and even certain manufactured goods due to the present higher level of production.

(3) The recent downward trend in the buying power both of farmers due to lower prices of farm products and of the industrial population due to the increased cost of living.

(4) The fact that a large proportion of the money now being sent to Europe will be used to aid Europe to produce more farm products and manufactured goods in order to be independent of us.

How to Invest

Use your earnings first to pay up your mortgages and other debts. Then put your buildings and machinery into good shape so you can go through the next depression without any maintenance costs. After this, give your wife a break by buying her a modern kitchen and bathroom. She was patient and thrifty for you during the hard times; she now is getting older and cannot do so much. Be liberal with your church and give your children a useful education in agriculture, mechanics or business. Above all, have a good savings bank account or a safe deposit box of U. S. Government "E" bonds. DON'T KEEP THESE IN YOUR HOUSE.

N. Y. Investment Ass'n To Hold Outing

The Investment Association of New York (formerly the Junior Investment Bankers and Brokers Association) will hold its second annual outing on Wednesday, June 23, at the Montclair Golf Club in Montclair, New Jersey. The date was announced by Stanley Russell, Jr. of Blyth & Co., Inc., who is in charge of general arrangements.

Better than 75 of the younger men in Wall Street will take part in the festivities, which will begin at 9.30 in the morning, according to Mr. Russell. Golf will be the feature of the day for many of those attending and there will also be tennis competition and other games. Robert Baldwin of Morgan, Stanley & Co., is handling golf arrangements and Julian Hemphill of Hemphill, Noyes & Co., is in charge of the tennis. Arne Fuglestad of White, Weld & Co., is handling the scheduling of other games.

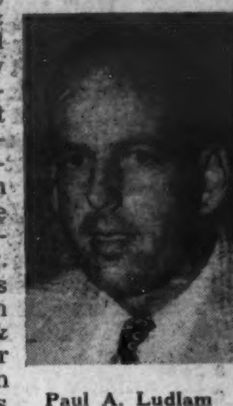
A special event is being managed by Sydney Duffy of Blyth & Co., Inc. Roger Gilmartin of Merrill Lynch, Pierce, Fenner & Beane is taking care of transportation to the outing.

Following the day's activities there will be a dinner in the evening with Philip Moore of Schroder, Rockefeller & Co., Inc., president of the association, presiding. Prizes will be awarded winners in the sport competition at that time. The group will then enjoy the Louis-Walcott fight by television.

The association was formed in the Spring of 1947 and has at present about 220 members from some 90 Wall Street firms. Average age of the current membership is 31, with approximately 90% veterans of World War II.

Paul A. Ludlam Is With Tweedy, Browne, Reilly

Tweedy, Browne & Reilly, 52 Wall Street, New York City, announce that Paul A. Ludlam is now associated with them in the trading department. Mr. Ludlam was formerly with J. G. White & Co. and prior thereto with E. H. Rollins & Co.



Paul A. Ludlam

Rearmament Program And Money Market

By HAROLD V. ROELSE*

Vice-President, Federal Reserve Bank of New York

Contending different fiscal and monetary policies from those of the last war must be followed in rearmament program, if piling up of inflation is to be avoided, Reserve Bank official foresees need of higher taxation, stimulation of savings, diversion of materials and labor from less essential purposes, and also restraints on unnecessary expansion of credit and monetary supply. Holds monetary controls should play supporting rather than leading role.

In considering what might be said about this topic, I soon found that it would not be possible to discuss at all adequately the effects of the rearmament program on the monetary situation without overlapping the field of public debt management. In the existing circumstances, monetary policy and debt management policy may be regarded almost as Siamese twins. I am glad, therefore, that Secretary Wiggins has discussed debt management aspects of the problem first, and I shall have to ask his indulgence if I find it necessary to invade his territory to some extent.

It quickly became apparent, also, that it would be difficult to segregate the effects of the rearmament program from the effects of two other major developments of recent months—the foreign aid program and the income tax reduction. Finally, I think I should say at once that I claim no gift of prohesy with respect to international political trends and their effects upon the further development of the national defense program, and therefore must necessarily base my discussion largely on the information that has so far been made public concerning the probable magnitude and rate of growth of military expenditures during the coming fiscal year.

Even though we confine our attention mainly to the near-term prospect, however, we cannot ignore the possibility that subsequent years may bring a further large increase in military expenditures. In view of the fact that we no longer have the idle productive capacity we had before the war, and in view of the possibility that it may become necessary to devote a considerably larger proportion of our produtive and financial resources to military purposes in future years, we should be preparing the ground for very different policies, in the fields of monetary and fiscal policies especially, than were followed at the beginning of the war, if we are to avoid piling more inflation on top of the inflation that has already occurred.

But to come back to the more immediate situation, the probable or possible effects of the rearmament program on the money market may be considered from three angles: (1) effects on the demand for funds from the government and from business and other private borrowers; (2) effects on the supply of funds available to the money market from banks and other sources; and (3) possible effects on monetary policy.

Effects on the Demand for Funds

The first question that has been raised with respect to the monetary effects of the rearmament program (coupled with the effects of foreign aid and tax reduction) is the prospect for a renewal of deficit financing by the government. The only room for differences of opinion relate to the rate of expansion in government expenditures and the probable level of tax receipts. The latter depends upon one's estimate of the prospective level of national income. I might be inclined to take a somewhat more optimistic view of the prospects for tax receipts during the coming year, but it would not essentially alter the conclusions. In any case, I think we can assume it is unlikely that new offerings of Treasury securities (other than savings bonds and notes) will compete with private borrowers for the available supply of funds during the coming fiscal year. Perhaps that assumption should be qualified, however, by pointing out that it will require the offering, in refunding operations by the Treasury, of new securities sufficiently attractive to investors to avoid an abnormal volume of cash redemptions. If the holders of maturing securities should consider other investments more attractive and present their securities for cash redemption in large volume, new borrowing by the Treasury might become necessary.

The next question that has been raised is whether considerable amounts of funds will be required by the aircraft industry and other concerns that receive contracts under the rearmament program. Some of the principal concerns in the aircraft industry are well supplied with plant, and I understand with working capital, and are able to undertake a large increase in their operations without additional financing. On the other hand, there are other concerns which no doubt will require financial assistance, either from the government or from the banks, or both. But the amount of credit that is likely to be required at any given time to finance an aircraft building program of the magnitude so far proposed can hardly be large enough to be a factor of great importance in the money market during the coming year. Any problems that arise in this connection are likely to require special arrangements to meet the financial needs of a few individual concerns, rather than a general easing of money market conditions, which might be of little help to such concerns.

As for other businesses, it is to be expected that there will continue to be a considerable demand for new capital to supplement funds already available, or to be accumulated from earnings, in meeting expenditures for expansion and modernization of plant and equipment in a number of industries. But this demand presumably will be increased only to the extent that business planning has been affected by the expected repercussions of the rearmament program, plus foreign aid and tax reduction, on the general business outlook. So far there is not much evidence of an abandonment of the cautious policies that were adopted by many business concerns earlier this year. It is possible that, at some point, the diversion of materials to the rearmament program may require some curtailment of operations in other industries, and thus lessen the financial requirements of those industries, but that does not seem to be an early prospect.

In other fields of credit, it is

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*Statement by Mr. Roelse at Round Table Conference on Financial Consequences of Rearmament, National Industrial Conference Board, New York City, May 26, 1948.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The announcement of larger reserve requirements for member banks in New York City and Chicago had only a minor effect upon quotations of government securities. . . . A few thirty-seconds were knocked off bids, with volume very light indicating a quoting down of prices by professionals, probably in the hope of catching investors off guard, because of the sudden and unexpected upping of reserve requirements. . . . However, nearly all of the banks affected by the new requirements were well prepared for it, with cash or shortest-term government securities ample to meet their needs for higher reserves with the Central Banks. . . . Some selling was nevertheless noted in the early bond maturities but whether this was done to meet the increased reserve requirements or represented liquidation in order to take care of the large war loan call could not be ascertained. . . .

While the increase in reserve requirements of Central Reserve City banks, will take loanable and investable funds away from these institutions, and will keep the pressure on the large money centers, it is not expected to increase to any appreciable extent the floating supply of government securities, especially the intermediate- and long-term obligations. . . . Banks in other localities will not be affected by the new development and they have funds that are being put to work in the higher income Treasury obligations. . . . As a matter of fact, very sizable commitments are waiting to be made by many out-of-town banks, if, as and when there might be weakness in the longer government issues. . . .

The partially-exempt obligations are still being bought carefully and shrewdly by many banks, with these buyers not inclined to show too much of an interest unless blocks of bonds are actually available for sale. . . . Prices of these securities have been quoted up sharply in the past, by the trading fraternity when there were reports that institutions were looking for certain of the tax-protected securities. . . . Transactions, however, have recently been consummated at prices that were higher than those quoted in the open market, because the buyers were able to get enough bonds to complete their order. . . .

Although the government securities markets were caught in the cross-fire between the Treasury and the Federal Reserve Board, in their recent actions in the money markets, the general opinion of investors and traders seems to be that no decisive price movements in either direction are looked for in the next few months. . . . The Treasury, by keeping the certificate rate at 1⅛%, prevents any hardening of money rates, and this will mean a good demand for all government securities particularly the higher income obligations. . . . The Federal Reserve Board, by increasing reserve requirements of banks in New York City and Chicago will offset to some extent the June redemption of certificates and bonds, the June 15 interest payments on the national debt as well as the inflow of gold. . . .

Also the larger reserve requirements will enable the Central Banks to prolong the period of effectiveness of the War Loan Accounts, since the tying up of close to $500,000,000 of funds that could be invested or loaned, means that calls on government deposits with member banks can be postponed for a time, and still keep the money markets from easing too much. . . . Income tax payments due the middle of the month will likewise tend to have a restraining influence upon the money markets. . . .

Insurance companies are still playing only a minor role in the government market, with scattered buying appearing here and there from some of the smaller ones. . . . Selling, however, has pretty well dried up, and no sizable liquidation is expected unless there is a flood of attractive corporate securities. . . . On the other hand, the insurance companies could be back in the government market on the buy side in an important way, if there should be a revival of equity financing, with a strong stock market. . . .

Savings banks continue to be fairly active with buying apparently now being done more in the restricted issues than in the eligible obligations. . . . There is evidence of some profit-taking by certain of these institutions in the bank bonds, with the proceeds going mainly into the 2¼s due 1959/62. . . . Trust companies have been switching from governments into convertible corporate obligations, but these operations have not been too large yet. . . .

The 2s due 1952/54 are among the most favored Treasury issues with a strong demand still in evidence for the 2¼s due 1956/59. . . . Switches are being made from the 2½s due 1956/58 into the 2¼s due 1956/59 and the eligible 2½s due 1967/72. . . . The International Bank bonds continue to be under accumulation by institutions that are interested in income. . . .

The 2⅞% due 1955/60 and the 2¾% due 1960/65 hold the spotlight in the partially-exempt list with buying in these issues evidently coming from institutions that are taking profits in tax-free bonds. . . . Certain other holders of state and municipal securities that had been locked in those obligations because of the price decline are now able to get out about even and apparently are putting these funds into the partially-exempt Treasuries. . . .

Retirement of Old Peru Bonds

According to latest advices received from the New York Stock Exchange, American holders of the old bonds of the Republic of Peru have exchanged $13,353,500 for the new bonds up to the end of May.

The exchange of the various issues are as follows:

Issue	Bonds Exchanged	Total Retirement	Balance Outstanding
7s-1959	$59,000 April		
	157,500 May	$1,245,500	$7,482,500
6s-1960	301,000 April		
	2,483,000 May	8,060,500	40,322,500
6s-1961	230,000 April		
	718,000 May	4,047,500	20,422,000

The American owners of the exchanged bonds who have accepted Peru's offer to skip 16 years of unpaid interest and to accept a reduced return of 1% for the first two years, 1½% for the second two years, 2% for the third two years, and 2½% thereafter; represent about 17% of the total outstanding issues when the offer was made by Peru in December, 1947.

Securities Administrators Report Changes; Committees; Convention Plans

The National Association of Securities Administrators reports several changes in securities administrators.

Paul H. Brown, Secretary of the State of Texas, announces the resignation of Leo Darley as Securities Commissioner and the appointment of William E. Stapp as the new Commissioner. Mr. Stapp has been appointed to the Oil Securities Committee and the Licensing of Dealers, Brokers and Salesmen Committee of the National Association.

In Louisiana, J. S. Brock is the new Banking Commissioner of that State, replacing Wilfred J. Begnaud. Mr. Brock has been appointed as a member of the Oil Securities Committee.

In the State of Vermont, Donald A. Hemingway has been appointed Commissioner of Banking in place of Charles E. Burns. Mr Hemingway has been appointed a member of the Membership Committee.

In the State of Delaware, Albert W. James is the Attorney General, replacing C. J. Killoran. Mr. James has been appointed a member of the Membership Committee.

The following committees have been appointed to carry out the work of the Association at the Portland meeting:

Nominating Committee—Edwin M. Daugherty, Chairman, California; D. D. Murphy, Vice-Chairman, South Carolina; Poyntelle Downing, Illinois; Clarence H. Adams, Connecticut; Robert F. Brown, West Virginia.

Resolutions Committee—John F. Hueni, Chairman, Michigan; John L. Carter, Arkansas; Thad Eure, North Carolina; J. Myron Honigman, Pennsylvania; T. C. Thompson, Wyoming.

Auditing Committee — M. D. Campbell, Jr., Chairman, Missouri; George F. Richardson, Kansas; William C. King, Virginia.

Under the constitution it is mandatory that the Nominating Committee of five members be appointed prior to the convention. In selecting this committee due consideration has been given of the geographic location of the various members.

Heretofore, the Resolutions and Auditing Committees have been named at the opening of the convention. It then became necessary that the committee members devote their time during convention hours to the carrying on of their work. These committees have been named at this time so as to facilitate their duties prior to the opening of the convention.

It has been suggested by some that representatives of the industry in the eastern part of the country and also securities administrators might arrange to assemble in Chicago and take the same train to Portland for the Association Convention July 19-22. There has been some activity toward the obtaining of special cars. If any desire to join a party like this it is suggested that they write to the Investment Bankers Association of America, 33 South Park Street, Chicago, Illinois.

It is recommended that travel be arranged for arrival in Portland on Sunday, July 18. This will permit registration in the afternoon of the 18th and the getting acquainted, which would facilitate the starting of the program the first thing on the morning of the 19th.

The tentative program of the Portland meeting is as follows:

Sunday, July 18

Registration in afternoon and evening.

Monday, July 19

Morning session will be devoted to the usual convention-opening proceedings for about one hour. This will be followed by about three prominent speakers.

Noon — Luncheon — Address of welcome. Response. An outstanding speaker will address the convention.

The entire afternoon will be confined to open forums covering all of the securities subjects desired to be discussed. A definite program will be arranged for this session.

Evening—Social hour and dinner.

Tuesday, July 20

On Tuesday an all-day trip will be had motoring to Astoria, Oregon. We will be guests of the Astoria Chamber of Commerce for lunch. We will be addressed by a very able speaker at the luncheon program. After that we will be taken on a conducted tour of interesting and historic places. This will also include the naval base and a salmon cannery. We will return to Portland in late afternoon or evening.

Wednesday, July 21

Morning — Several very good speakers will bring us some important messages.

Noon—Luncheon at the auditorium of the new Equitable Savings and Loan Association as guests of Mr. Ralph Cake, President. There will be a luncheon speaker of outstanding ability. Mr. Cake will take us on a conducted tour of their new aluminum building, the first of its kind in America.

Afternoon Session — This will be the executive session of the Association for the members.

Evening—Social hour and banquet followed by a colorful program.

Thursday, July 22

This complete day will be devoted to a trip to Timberline Lodge. A conducted tour will be had. A luncheon will be served at the Lodge. Each will then be given a ride on the ski lift. We will return to Portland in the late afternoon.

All guests are invited to attend all of the sessions except the executive meeting on Wednesday afternoon which will be confined to members. All guests are invited to attend all of the social, recreational, luncheon and dinner functions, including the trips to Astoria and Timberline Lodge.

Type of dress is informal for men and optional for the ladies.

The following is a partial list of the speakers who will appear on the program and bring important messages helpful in the deliberations of the subjects involving the securities business.

Carl J. Trauerman, Secretary and Treasurer of the Mining Association of Montana.

Julien H. Collins, President, Investment Bankers Association of America.

Frank Walker, partner of Dean Witter & Co., San Francisco.

W. G. Paul, President, Los Angeles Stock Exchange.

Emil Schram, President, New York Stock Exchange.

Francis Truslow, President, New York Curb Exchange.

Ralph Cake, President, Equitable Savings and Loan Association, Portland, Ore.

A member of the Securities and Exchange Commission.

Hon. John Hall, Governor of Oregon.

Douglas McKay, Republican nominee for the Governorship of Oregon.

One or two Securities Administrators.

William C. King, Director of Securities, Virginia.

Response to address of welcome.

The Convention Committee, comprised of Maurice Hudson, Oregon; Edwin Daugherty, California; E. F. Haworth, Idaho; John J. Holmes, Montana; Lawrence Taylor, Utah, and George C. Starlund, Washington, are exerting every effort to make this meeting an outstanding convention.

Brown Re-Elected Head of Balt. Exch.

BALTIMORE, MD.—J. Dorsey Brown, Mackubin, Legg & Co. has been re-elected President of the Baltimore Stock Exchange, to serve a third consecutive term.

J. Dorsey Brown

Edward J. Armstrong, Stein Bros. & Boyce; W. Carroll Mead, Mead, Miller & Co., and Walter M. Weilepp, were also re-elected to the Governing Committee for two-year terms.

The Governing Committee will meet June 14 for organization and election of other officers of the Exchange.

Kenneth Johnson V.-P. Of Indianapolis Bond and Share Corp.

INDIANAPOLIS, IND. — Kenneth S. Johnson has joined Indianapolis Bond and Share Corporation, 129 East Market Street, as Vice-President. He formerly conducted his own investment business in Indianapolis under the firm name of Kenneth S. Johnson & Co.

Profits Lost by Neglect Of New By-Products

By HOWARD E. SMITH
Director, Centro Research Laboratories, Briarcliff Manor, N. Y.

Mr. Smith points out industries are losing profits because of neglect to develop new by-products, due to present stress to supply consumer demand for existing goods. Sees outside independent research laboratories as aid in developing profitable by-products.

In the race to meet consumer demand, and improve present major lines, many new products that industry could profitably manufacture from by-products of their research, will never see the light of day. Personnel of industry's research organizations are too busy to explore the possibilities of thousands of chemical compounds, the by-products that accrue during scientific investigations of their main products.

Many of these unused chemical compounds are gathering dust in jars on laboratory shelves. Given research attention and study by qualified scientists many of them could be turned into profit-making valuable insecticides, fungicides, medicines, dyes, etc. Some of the more far-seeing industries are turning over these chemicals and compounds to outside independent laboratories for research and development to determine their practical uses. However, there now exists a huge economic loss through failure to explore these by-products potentials.

The oil and other industries are fertile fields for development of new products. At the present time the majority of products marketed by oil companies are used for the development of energy, both motor and fuel. In the process of improving their products there are developed many chemicals and compounds. In most cases these chemicals and compounds are placed upon a shelf in clean labelled jars and then forgotten. The main reason for this is due to the fact that the research laboratories and research personnel are so busy with immediate problems that they cannot always spare the time or personnel on these unknown or undeveloped chemicals.

In all probability many of these shelved chemicals have a specific use such as for fungicides, insecticides, expellents, dyes, medicines, plasticizers, modifiers, etc. If time could be taken to find out just what these chemicals could be used for and applied practically in industry, no doubt many new products could be developed and old ones improved at a more economical level.

Actually neither the research departments nor the research personnel can be called to account, for usually they are kept going urgently on specific problems and projects. They just don't have the time necessary to screen some of these chemicals and compounds for possible uses. A laboratory and its technicians can only do so much and this extra research which might prove a boon to the industry often is slighted.

It is at this point that the outside or independent research laboratory can come to the aid of the industry. No longer is it necessary to sacrifice time and personnel from the normal process of work. The regular important work continues but the independent research organizations are patiently screening these chemicals. When a possible use is discovered they can continue to explore its merits or it can be turned back to the client's laboratory for further study, and the independent laboratory will once again go back to tackling the thousands of bottles on the shelf.

Many industries have found, much to their chagrin, that suddenly a competitive company emerges with a new product using a by-product which they knew about years ago. The top management and the research department are suddenly asked what has happened to them. When the furore is over they can always go back to that shelf with the clean bottles and say, "Well here it is, we knew about it, but we just didn't have the time."

This is a quite general problem which industry can meet. If industry will farm out such problems to the independent research laboratories who have time and are geared to do this work, then perhaps they will be taking down those bottles of opportunity from the shelf before hand rather than with an apologetic shrug after it is too late.

COMING EVENTS
In Investment Field

June 10, 1948 (Minneapolis, Minn.)
Twin City Bond Club 27th Annual Golf Tournament and Picnic at the White Bear Yacht Club.

June 11, 1948 (Atlanta, Ga.)
Georgia Security Dealers Association annual outing and dinner at the Druid Hills Golf Club.

June 11, 1948 (Baltimore, Md.)
Bond Club of Baltimore annual outing at the Elkridge Kennels.

June 11-12-13, 1948 (Los Angeles)
Security Traders Association of Los Angeles Annual Spring party at Arrowhead Lodge.

June 11, 1948 (New Jersey)
Bond Club of New Jersey Annual Field Day at the Montclair Golf Club.

June 11, 1948 (New York City)
Corporation Bond Traders Club of New York Spring Outing and Dinner at the Wingfoot Golf Club Mamaroneck, N. Y.

June 11, 1948 (Pittsburgh, Pa.)
Bond Club of Pittsburgh Annual Spring Outing at the Chartiers Country Club.

June 12, 1948 (Chicago, Ill.)
Bond Traders Club of Chicago Annual Golf Party at the Acacia Country Club.

June 12-16, 1948 (Canada)
Investment Dealers Association of Canada 32nd Annual Meeting at Manoir Richelieu, Murray Bay.

June 14, 1948 (New York City)
Municipal Forum of New York annual election.

June 15, 1948 (Detroit, Mich.)
Bond Club of Detroit Summer Golf Party at the Plum Hollow Golf Club.

June 17, 1948 (St. Louis, Mo.)
St. Louis Municipal Dealers Annual Outing at the Norwood Hills Country Club.

June 18, 1948 (Boston, Mass.)
Municipal Bond Club of Boston annual outing at the Country Club, Concord, Mass. To be preceded by parties at the Hotel Statler on the evenings of June 16 and 17 from 9:30 p.m. until midnight.

June 18, 1948 (Philadelphia, Pa.)
Philadelphia Securities Association annual outing at Llanerch Country Club, Llanerch, Pa.

June 21, 1948 (Omaha, Neb.)
Nebraska Investment Bankers Association annual frolic and Field Day at the Omaha Country Club.

June 22, 1948 (Boston, Mass.)
Boston Security Traders Association 29th Annual Outing at Woodland Golf Club.

June 23, 1948 (New York City)
Investment Association of New York second annual outing at the Montclair Golf Club, Montclair, N. J.

June 25, 1948 (Cleveland, Ohio)
Bond Club of Cleveland spring outing at Country Club.

June 25, 1948 (New York City)
Municipal Bond Club of New York Annual Meeting at Sleepy Hollow Country Club, Scarborough-on-Hudson, N. Y.

June 29, 1948 (New York City)
New York Stock Exchange Golf Association 49th annual golf tournament at the Winged Foot Golf Club, Mamaroneck, N. Y.

July 9, 1948 (Cleveland, Ohio)
Cleveland Security Traders Association summer outing.

July 9, 1948 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Annual Summer Outing at the Tavistock Country Club, Haddonfield, N. J.

July 16, 1948 (Toledo, Ohio)
Bond Club of Toledo annual outing at the Inverness Country Club.

July 19-22, 1948 (Portland, Oreg.)
Annual Convention of National Association of Securities Administrators at the Multnomah Hotel.

Nov. 15-18, 1948 (Dallas, Tex.)
National Security Traders Association Convention.

Dec. 5-10, 1948 (Hollywood, Fla.)
Investment Bankers Association 1948 convention at the Hollywood Beach Hotel.

Bond Club of New York Annual Field Day And Outing Held on June 4; Leness Elected

George J. Leness of Merrill Lynch, Pierce, Fenner & Beane was elected President of the Bond Club of New York at the annual

George J. Leness

C. L. Morse, Jr.

C. Cheever Hardwick

meeting held at the conclusion of the Club's Field Day at the Sleepy Hollow Country Club June 4. He succeeds T. Jerrold Bryce of Clark, Dodge & Co. who has been President for the past year.

Charles L. Morse, Jr. of Hemphill, Noyes & Co., who was Chairman of this year's Field Day Committee, was elected Vice-President, succeeding Alfred Shriver of Morgan Stanley & Co. C. Cheever Hardwick of Smith, Barney & Co. was elected Secretary and William B. Chappell of The First Boston Corp., Treasurer.

Elected members of the Board of Governors to serve three years were Austin Brown of Dean Witter & Co.; Harry C. Clifford of Kidder, Peabody & Co. and Thomas T. Coxon of Hallgarten & Co.

Continuing Governors will be Robert E. Broome of Guaranty Trust Co. of New York; F. Kenneth Stephenson of Goldman, Sachs & Co.; Joseph A. Thomas of Lehman Brothers; Clarence W. Bartow of Drexel & Co.; Raymond D. Stitzer of Equitable Securities Corp. and G. H. Walker, Jr. of G. H. Walker & Co.

More than 500 bond men—a record number—deserted Wall Street to attend the Field Day. T. Jerrold Bryce, President of the Bond Club, and Charles L. Morse, Jr., Chairman of the Field Day Committee, headed the Wall Street delegation bound for Scarborough, N. Y., for a full day of sports and entertainment.

Several hundred members of the club took part in the annual golf tournament. Divided into three handicap classes, the players competed for three Bond Club trophies—the Ex-President's Cup, the Candee Cup and the Christie Cup—and for more than a dozen individual prizes.

V. Theodore Low (Bear, Stearns & Co.) won the President's Cup with low gross of 73. C. E. Grasmueller (Lazard Freres & Co.) won the Candee Cup with low net score of 65, and Paris Scott Russell, Jr. (Glore, Forgan & Co.) took the Christe Cup in the match play against par.

Enos Curtain (Blair & Co.) and M. S. Glidden, Jr. (Glidden, Morris & Co.) won the tennis doubles against Benjamin Buttenweiser (Kuhn, Loeb & Co.) and Marvin L. Levy (Lehman Brothers).

Willard Lynch, W. C. Langley & Co., was awarded a Cadillac; a Mercury was awarded to Emmett Lowshe, Shields & Co.; a Ford station wagon to Fred Brandi, Dillon, Read & Co., a Pontiac to Louis D. Rieder, W. E. Hutton & Co., and a television set to Gerald B. West, Stone & Webster Securities Corp.

Upon arrival at Sleepy Hollow, the guests were greeted with free copies of the "Bawl Street Journal," the Bond Club's famous publication lampooning the outstanding events in the world of finance and politics. Distributed nationally this year and also on sale in the financial district, the paper set a new high mark in circulation.

Frederick Peirce Dead

Frederick Peirce, President of Frederick Peirce & Co., Philadelphia investment firm, is dead.

World Recovery and World Bank

By JOHN J. McCLOY*

President, International Bank for Reconstruction and Development

Asserting Europe's productive capacity, with outside help, is not far from recovery plateau, if present progress is maintained, World Bank executive contends chief war damage was paralysis of nerves and sinews of trade rather than property destruction. Says U. S. must assume leadership in remedying these ills, and assures cooperation of World Bank in recovery plans. Decries economic distortions resulting from excessive nationalism.

The question I am frequently asked is whether I believe the European Recovery Program will work; that is work in the sense that at the end of the four-year period Europe will be able to fend for itself without further appeals for similar aid from this country.

John J. McCloy

Though I am in no better position to answer this question than many others, and indeed not as well equipped as many, it is probably a fair question to ask of anyone who is a responsible part of an international institution devoted to the objectives of world recovery such as the International Bank.

I have seen figures which purport to prove that the program will succeed and those which purport to prove that the sums are grossly inadequate. Personally, I do not believe either conclusion can be established by figures or statistics. On other occasions I have emphasized the really amazing strides which Europe has already made toward her own rehabilitation since the close of the war. These represent such a significant advance from the rubble of Europe as it was in 1945 that one is encouraged to believe that man's indefatigable urge to repair his fortunes after disaster, coupled with some external aid, does bring very great and very definite results. If one could feel that with continued aid the progress could be as great in the next three years as it has been in the past three the European future would look very healthy. Judged in terms of output and physical capacity, today's figures show that Western European nations have, as a whole, approached if not exceeded their prewar levels. They have done this in the face of some very severe handicaps; a much disturbed political condition, bad crops and an extremely deep cut in German production which prior to the war was the hub of European economy, indeed, far too much so considering the warped purposes to which Germany applied her economic position. With the diminution of German production the levels of other European countries will probably have to be higher than they were before the war. I venture to suggest, however, that with production increasing in Western Europe, in Eastern Europe, in the United States, and elsewhere throughout the world the production levels which Europe can reach and support with the help of the European Recovery Program are not so vastly above her present levels as sometimes we are prone to think. I do not mean by this to imply that Europe is close to her maximum production figure for all time. For to survive she must, like all the rest of us, expand and improve. But I do mean that based upon sheer productive capacity Europe is not far from her recovery plateau if with outside help her present rate of progress can be maintained. A moderate but substantial German recovery would contribute much to fill existing gaps. An increase in east and west trade would also greatly help. But above all these, the growth of a sense of confidence in the European future would put us in closer sight of our objectives. Figures cannot gauge that confidence and there are many, many other imponderables which cannot be measured by statistics. There are forces or attitudes whose effects may well double or treble the worth of the actual material or machinery which this country may send to Western Europe.

If at a given moment the French farmer again gains some confidence in the French franc his goods will flow to the city markets and he will produce and deliver more for sale. If restrictions on trade are removed, if borders are made easier for the businessman to cross and recross, trade which is the multiplier of physical capacity, will contribute factors that no figures can faithfully appraise.

The moral is to the physical as 2 to 1. If the pall of war fear can be removed from over Europe and if those who have the chief responsibility for the recovery program, Europeans and Americans alike, are determined to make it work with what they have I venture to predict it will work. With this unprecedented and uniquely generous form of external aid which the Marshall Plan affords the obvious thing is to take hold of it and make it work. With such a boon there is no area left within which one may properly cavil either as to its amount or as to minor crudities of administration.

War's Chief Damage

The war's chief damage was in the destruction of all these imponderables, in the paralysis of the nerves and the sinews of trade rather than in the destruction of property. Property itself can usually be replaced, repaired and restored in a surprisingly brief period, particularly if external aid is at hand to help. As an example of this I think one can point to the restoration of the French railway system after the war. Throughout Europe there are examples of plants which though rated as totally destroyed or nearly so by our Air Forces were again operating at full war capacity within two years of the close of the war.

We can all be sure that in the end some predetermined level or standard of living will not be achieved but this is not the answer. Time alone, without any external aid, would probably bring about some form of economic adjustment but every indication is that if all were left to time to adjust the processes and the result would be too painful to endure without disaster. I firmly believe the European Recovery Program will greatly accelerate the time when an adjustment can be reached and accumulating signs indicate that short of another war that adjustment will reach a level not only endurable but one which will afford real opportunity for the continued economic and cultural development of Europe.

In saying this, I, of course, assume an improvement in the German position so that trade with the German area can be stimulated to something well above its present levels and that trade between the eastern and western parts of Europe will again take place and in the long run that we can look forward to a redevelopment of Asiatic trade; the last being an extremely important element to both European and world recovery.

U. S. Position of Leadership

There is one other feature or element in this play of forces that I have rather ignored or taken for granted but it probably embodies the greatest influence of them all. I refer to the position and the example of the United States itself. In every business, in every community, in every group we feel and are affected by the power of the leadership. At the close of the war the prestige of the United States was enormous. Just at the close of the war I happened to undertake a mission which took me around the entire world. At every shore, and in every clime all hopes were attached to the power and the influence of the United States. I said and felt then that the prestige of the United States was terrifyingly high. Terrifying because so many looked to it for so much. No nation could ever hope by itself to fulfill such an overwhelming accumulation of aspirations and desires. Since then some of those transports have been moderated; fortunately both for the United States as for those who displayed them. But in spite of the re-emergence of narrow national and racial prejudices, in spite of the quite malicious propaganda regarding the motives of the United States at home and abroad, in spite of all our own shortcomings, the United States remains today a mighty if somewhat dishevelled leader.

The role of world leadership is not a happy one, particularly in an election year. It exacts a certain behavior of the one who occupies it. In this perturbed world of inflation, restrictive trade regulations, unsound government financing and fiscal systems it is extremely important that the United States with her predominant influence and leadership in all forms of international aid should continue to furnish an example of righteous economic conduct herself. The United States today does nothing which is not reflected in the chancelleries of every country. If our budgets become unbalanced with what force do we speak to the world whose deficit financing we frequently deplore. If we rebuff international trade with what persuasion do we urge a revival of intra-European trade or applaud Mr. Churchill's crusade in support of a European economic and political union. The social, economic and political behavior of the United States over the next four years will as much determine the course of the European recovery as the billions Congress will or can appropriate and here again we have one of the great imponderables of which figures today cannot give us any reliable gauge.

There was a time when people felt that all the world's economic ills were to be cured through a wise but beneficient distribution of loans on the part of the International Bank. Very fortunately for the Bank and also the world another agency has been created which in public contemplation seems to occupy this hopeful role. This is the European Cooperation Administration. It has and will have very large sums available to it, sums which far exceed any of those which are presently available to the International Bank and they are to be devoted only to the recovery of a relatively small even though important section of the world. It is naturally asked what role the International Bank intends to fill during the operation of the European Recovery Program.

The World Bank

First, let me tell you a little something about how the Bank is organized, how it gets its money, and what its general policies and objectives are. For when these are known it is a rather simple matter to outline what it can do in connection with the European Recovery Program. The International Bank is an institution whose stockholders consist at present of the members of 46 different countries. Its authorized capital is $10 billion and its subscribed capital to date is something over $8 billion. The capital subscription of each of the countries is divided into three categories. The first 2% must be paid by all countries in gold or in dollars. The next 18% may be paid at the option of the country involved in its own currency, but it can only be used for lending purposes with the consent of the subscribing country. The remaining 80% of the capital subscription including that of the United States is callable only if it should ever be necessary to meet obligations of the Bank itself. This call must be met in whatever currency it is necessary to obtain in order to make good on the Bank's own obligations. It can never be used for lending purposes. Thus there is a great world guarantee fund behind the obligations of the Bank, and in addition there are, of course, as further security whatever reserves and capital the Bank may accumulate in the course of its operations. Roughly speaking, the Bank has had available to it for lending purposes around $1 billion. This is made up of the 2% capital subscription of all the countries plus the 18% capital subscription of the United States, this amount having been made available by the consent of the United States for lending purposes plus $250 million which the Bank itself raised through the sale of its securities. There have been minor instances of other countries making available part of their 18% for lending purposes but in the main it is the capital subscription of the United States Government which has thus far supplied the working capital of the Bank.

It is obvious that if the Bank is to make a real impression on the recovery needs of the world it must receive most of its money from other than capital subscriptions. This it does through the sale of its bonds in the various capital markets of the world. Thus far the Bank has successfully sold as I have indicated $250 million of its bonds. It has lent or committed to lend $513 million and it

(Continued on page 22)

*An address by Mr. McCloy before the Foreign Policy Association, Cincinnati, O., June 1, 1948.

The SEC Position on World Bank Bonds

By EDMOND M. HANRAHAN*
Chairman of Securities and Exchange Commission

Chairman Hanrahan says present bill before Congress would transfer to National Advisory Council powers granted to SEC. Opposes provision giving SEC discretionary power to exempt World Bank bonds from registration.

I am here at the invitation of your Committee to comment on H. R. 6443, a bill to amend the Securities Act of 1933, the Securities Exchange Act of 1934 and the National Bank Act to provide exemptions from these laws for securities issued or guaranteed by the International Bank.

E. M. Hanrahan

As the Committee knows, a companion bill to H. R. 6443 was introduced in the Senate as S. 2636. The Senate bill has been reported out favorably, with a modification suggested by the SEC which had the effect of providing for exemption only of securities issued and fully guaranteed by the International Bank as distinguished from any securities issued or only **partially** guaranteed by the Bank, as is possible under the Bank's Articles of Agreement.

On May 6, 1948, we sent to you a full statement of our views in a letter over the signature of Commissioner McConnaughey, who is present with me today. That letter was yesterday made part of the record and it goes into greater detail on some points than will my present statement.

The legislation sought by the Bank, with changes reflected in the bill approved by Senator Tobey's committee, would put securities issued and fully guaranteed by the Bank in the same class with other securities exempted from the Securities Act of 1933 and the Securities Exchange Act of 1934; including securities issued or guaranteed by the United States, any State or subdivision thereof or any instrumentality of the foregoing.

The securities issued and guaranteed by the Bank are neither strictly in the character of American governmental securities nor are they strictly similar to the ordinary private and foreign securities which are subject to our statutes. We have recognized that the United States representative on the Bank has full veto power over any borrowing by the Bank in this country and over the making of guaranties on loans sought in this country and that that representative cannot give his approval except on instruction of the National Advisory Council, consisting only of representatives of United States governmental agencies.

That we have felt the Bank entitled to special treatment in view of its nature is clear from the fact that we have exercised our rule-making power under both the Securities Act and the Securities Exchange Act to facilitate past distributions of its bonds. However, the Bank has felt that broad legislative exemption is necessary for securities issued and guaranteed by it. The decision as to the wisdom of this legislation involves weighing considerations relative to the government's foreign lending policy against those relative to the standards of the present law. That is a problem for the Congress in the light of all the interests affected. We will be glad to help your Committee to explore the relevant considerations insofar as they fall within our competence.

From the questions asked yesterday of Mr. Black it appears that some of the members of your committee are interested in the question whether the National Advisory Council will be concerned with the American investor in making the decisions which guide the conduct of the American representative on the Bank. Our own reading of the Bretton Woods Agreement Act and the testimony of Messrs. Black and Luxford have indicated to us that the NAC has full power to consider the American investor, not only from the point of view of disclosure but also of safety, in making those decisions. Further, should this bill, in some form, become law, I think it would be the NAC's clear obligation and exclusive responsibility to provide substantial equivalents to the protections afforded under present law which would be rendered inoperative because of the exemptions provided in this bill which the NAC, as well as the Bank, is sponsoring. Undoubtedly the NAC would make such provisions as part of its formulation of general policy in guiding the United States' representative on the Bank.

That would be emphasized further by this very hearing—especially in view of the questions asked by you, Mr. Chairman, and the members of your committee. The record of this hearing would constitute significant legislative background in considering the purposes and effects of the exemptions provided for in the bill.

We have no objections to the bill if it is amended as was the companion Senate bill. Decision of the broad issues raised by the bill depends, as I have said, on considerations beyond the scope of our statutory concerns and is a matter for the Congress.

Criticism of a Provision Granting To the SEC Discretion to Exempt Bank Bonds

One of the suggestions which we have heard and discussed with respect to alternative ways of meeting the problems to which the bill is addressed was to give the SEC discretionary power to exempt from the Securities Act and the Securities Exchange Act securities issued or guaranteed by the Bank. Under present circumstances we would consider such a provision unfortunate for several reasons. The Bank's operations are a part of the government's overall foreign program. To the extent that the SEC would be obligated to make decisions related to conflicts between that program and enforcing the disclosure requirements we would be thrown into the field of international financial policy. That is not now our field, either by law or by virtue of any special competence derived through experience or ready sources of specific information.

Furthermore, unless this suggestion is materially expanded beyond its present apparent scope or intention, we would be without any guides to the factors we should weigh or the weight to be given to various possibly relevant factors in making the necessary choices between facilitating the Bank's operations and protecting United States investors. To formulate such a set of guides would require care and study; we do not think it can be done with any hope of procuring legislation in this session. Moreover, in connection with the added field of responsibility such legislation would throw upon the Commission, there would have to be considered also the possibility that material changes in the nature, and of necessity in the staff organization of the Commission might have to be made.

We now have power to exempt any securities to the extent we deem it consistent with the public interest under the Securities Exchange Act of 1934 to do so. We have a more limited rule-making power under the Securities Act. The concept of public interest under both of these laws gathers its content from the provisions and purposes of those laws and to the maximum extent we deemed it proper and consistent with the standards of those Acts we have already exercised our powers under both the Acts in favor of the Bank. We refused exemptions, for example, from the anti-manipulation and margin requirements of the Secuirties Exchange Act of 1934. To go further would require us to consider factors beyond our usual concerns which might over-balance the provisions of the Acts we administer. Only by making of the Commission an agency with sufficient power, experience, and information to make policy decisions in the field of foreign finance could we administer such legislation with assurance that we could administer wisely the legislative function it would delegate.

*Statement of Chairman Hanrahan before the House Cimmittee on Interstate and Foreign Commerce, Washington, D. C., June 5, 1948.

Predicts Falling Off in Capital Outlays

Federal Reserve Bank of New York reports postwar capital expansion plans in number of industries may be approaching completion, and demand for industrial capital goods may decline after 1948.

The current June issue of the "Monthly Review of Credit and Business Conditions" of the Federal Reserve Bank of New York, analyzes the postwar capital outlays in domestic industry and present capital re-equipment and expansion programs. As a result of its analysis, the "Monthly Review" comes to the following conclusion regarding outlook for future expenditures on new plant and equipment:

"Although the dollar volume of business capital outlays in 1948 is expected to exceed 1947 expenditures, both in the aggregate and in most industry groups, it is expected to run below the rate for the fourth quarter of 1947. The rate of planned outlays in the second half of 1948 is in turn expected to fall somewhat below that for the second quarter of this year. The decline in the last half is likely to occur chiefly in the manufacturing and mining industries, while the rate of expenditures in all other industries will remain substantially unchanged, and the railroads are expected to spend more than in any previous postwar half-year period.

"From the trend of estimated outlays for the present year, it would appear that in a number of industries postwar capital expansion plans may be approaching completion and that the demand for industrial capital goods may decline after 1948. It should be recalled, however, that these figures merely measure intentions and that the latter may be changed by subsequent developments. On balance, the favorable developments—enactment of enlarged foreign aid, increased defense expenditures, reduced taxes, wage increases, and rising common stock prices (which if maintained will facilitate equity financing and perhaps stimulate some capital projects that might not otherwise be undertaken)—seem to outweigh the unfavorable factors. The improved outlook for sustained prosperous business conditions may well result in more optimistic appraisal of future capital needs.

"If the plans for 1948 are fulfilled, industry will have spent $47 billion for new plant and equipment in the first three calendar years after the war. Much of this impressive total represents merely reconversion and replacement of wornout or obsolete facilities. Allowing for depreciation of plant and equipment (conservatively estimated for 1946-48 at roughly 18 to 19 billion dollars), net *additions* to capital assets appear to have been comparatively modest, particularly in view of the growth of population and reduced investment during the depression years. When further consideration is given to the fact that depreciation is calculated on the basis of the considerably lower original costs, while new plant and equipment are valued at the much higher prices of the postwar period, it would appear that the net physical additions to domestic capital equipment in the postwar period have been of much smaller proportions than might be suggested by the gross dollar figures.

"It is interesting to note, furthermore, that despite the billions spent on manufacturing and other facilities in 1946, 1947, and early 1948, the Federal Reserve index of industrial production (seasonally adjusted) has risen only 6% from the 1946 peak of 183 in November (1953-39=100) to the 1948 peak of 194 (in February). Thus, it appears that the very large output of the country's plants in postwar as compared with prewar years has been as much or more the result of the fuller utilization of productive capacity than additions to its industrial facilities.

"Judging from data available for the corporate sector of business, the bulk of the financial requirements of business organizations have been met through retention of earnings, after dividends and entrepreneurial withdrawals, and from depreciation allowances. According to estimates of the Department of Commerce, retained profits and depreciation charges of all nonfinancial corporations were about ⅔ larger than external sources of financing through bank loans or securities in 1946 and twice as large in 1947.[1] In 1946, however, corporations financed a larger part of their needs through the sale of Government securities (which represent in part retained earnings of the war years) than in 1947.

"The outstanding feature of the financing of corporate capital investment since the war, aside from the heavy reliance on current earnings, has been the large dependence on debt financing. When bond issues and loans from banks and insurance companies (including the indirect form of debt financing whereby corporations sell capital assets to insurance companies or other institutions and rent them on long-term leases) are taken into account, debt financing has far exceeded equity financing (including common and preferred stock issues). For all non-financial corporations net equity issues came to approximately 20% of total external financing through security issues and bank and other loans in 1946, and to more than 15% in 1947. The dearth of new common stock issues is ascribable primarily to the depressed condition which has prevailed in the stock market most of the time since the summer of 1946 and has severely restricted this source of funds. Since common stock flotations tend to increase substantially during sustained periods of rising stock prices, the recent upswing in the market, if maintained, may eventually increase the contribution of this source of corporate funds."

1 U. S. Department of Commerce, *Survey of Current Business*, "Business Financing in the Postwar Period," by Irwin Friend, March 1948, p. 10.

Wide Diversity in Wage Changes Found by Backman

Uniform Wage Patterns Held Incompatible With Free Economy

"Uniform wage patterns are incompatible with the functioning of a free economy," Dr. Jules Backman, Associate Professor of Economics, New York University School of Commerce, Accounts, and Finance, told the Society for the Advancement of Management at Town Hall June 3, 1948. "An examination of past changes in wages shows conclusively that diversity rather than uniformity have been characteristic of the economy. It is inevitable that a dynamic economy should be featured by diverse changes in wages. Industries rise and fall in the public favor. New inventions, changes in population, differing rates of gain in productivity, changing price relationships, shifts in demand, and many other factors fall with uneven impact upon different companies and different industries."


Jules Backman

A special study made of the first postwar wage movement showed conclusively that although many people believed uniform adjustments of 18 or 18½c an hour took place, actually there was a wide diversity of changes This study covered 153 industries and 15.8 million production workers or salaried workers. It showed that only 3.7 million employees in 43 industries received an increase of 17½c to 20c an hour, which would cover the so-called national pattern. There were approximately six million workers in the 49 industries in which increases were more than 20c an hour and a similar number of workers in the 61 industries in which this postwar increase was less than 17½c an hour.

Dr. Backman pointed out that "Price reductions were more important than wage increases because everybody shares in the price reduction and hence the general level of real purchasing power is expanded. While some companies could undoubtedly raise wages without increasing prices, the fact remains that there are many marginal firms and marginal industries in which a price increase would inevitably accompany a wage increase. An outstanding illustration would be the railroads if they had to pay any wage increases in addition to those recently awarded."

The speaker pointed out that the tying of wages to living costs as was recently announced by General Motors has usually been unacceptable to labor. To the extent that this policy is followed, one group, namely wage earners, becomes insulated from the effects of rising prices, while other groups, including those living on fixed incomes, government employees, and many white collar workers, must bear the full impact of any inflationary spiral." Dr. Backman pointed out that "Canadian wartime experience with the cost of living bonus showed the danger of the wage-price spiral when such a bonus is widely used. In fact, it is like a dog chasing its tail. There is no reason why wages of all workers should change together according to some common measuring stick such as a cost of living index. If this principle were widely adopted, it would ignore the fact that wage relationships are dynamic and always changing."

Four Republicans Could Defeat Truman, Roper Finds

But continuing swings in Truman's popularity promise enlivening of election campaign. Public opinion analyst evaluates significance of polls.

Whereas several months ago it appeared that President Truman could defeat any Republican candidate, the latest poll results now show that four Republicans might be able to beat him, according to Elmo Roper, public opinion analyst, who spoke before the New York District Chapter of the American Statistical Association on May 27. The nation-wide poll made by Mr. Roper's organization showed that if the election were being held today, Dewey, MacArthur, Stassen and Vandenberg would each be able to get better than 40% of the votes compared with less than one-third for Truman and approximately 6% for Wallace; the remainder of the voters are still undecided. However, President Truman would get 41% of the votes in a contest against Senator Taft, who would attract only 30% of the votes. Similarly Truman would defeat Governor Warren 36% to 33%.


Elmo Roper

A factor likely to enhance the interest in what promises to be an extremely lively campaign is the tendency toward wide swings in President Truman's popularity, both up and down. At the present he appears to be declining in popularity, but there is no telling where he will be in November.

Another aspect of the campaign is the surprising warmth of feeling for Eisenhower despite his disavowal of candidacy. There has been no such popular enthusiasm for a man in a long time; his support comes from all groups—young and old, Republicans and Democrats, businessmen and laborers. He is the only person who would get more votes than Truman from union labor. His non-partisianship is most popular with the public, who this time seem to desire a candidate who will rise above party politics. This atitude also helps Vandenberg, because of his "statesman-like approach" to foreign policy.

The vote for Wallace is fairly constant for any combination of Republican and Democratic candidates, running from 5 to 7% of the total, which would probably indicate 2 to 3½ million votes. Surprisingly enough, his strength seems to come fairly evenly from both parties, since, when voters were asked which ticket they would vote for if Wallace were not running, 38% said Democratic and 31% said Republican.

On the subject of election forecasting in general, Mr. Roper said that such polls did not demonstrably affect the popular vote. There might, however, be a tendency for election polls to influence the choice of candidates, either through discouraging the candidacy of men whom early polls showed to be trailing, or through inducing conventions to select candidates whom the polls showed might win instead of otherwise qualified men.

Public opinion polls in general, Mr. Roper said, serve four useful functions: (1) they make the common man articulate; (2) they blueprint the areas of ignorance among the people and show which groups lack information or are misinformed; (3) they bridge the gap between management and labor through employee-attitude surveys; and (4) they have many useful applications in the field of marketing. At present statistical techniques have been refined to a point where further perfection would affect the results by only a few percentage points. The great need for perfection is in the psychological side of the surveys; we do not yet fully understand the process by which slight changes in the wording of questions or the order in which they are asked can yield entirely different results.

Schram and Strong Honored by N. Y. U.

New York Stock Exchange President received honorary degree of Doctor of Laws. Same honor also given Benjamin Strong, President of United States Trust Company of New York.

Emil Schram, President of the New York Stock Exchange, received the honorary degree of Doctor of Laws at the 116th Commencement of New York University on June 9.

Vice-Chancellor Harold O. Voorhis presented Mr. Schram for the degree with the following citation:

"Emil Schram, Indiana farmer and President of the New York Stock Exchange, he is equally deft and tender in butchering porkers and in bossing brokers. Born and schooled in Peru, Indiana, he advanced his education as handyman and bookkeeper in the local coal and lumber yard, and went on to postgraduate training on a campus of some five thousand acres of Illinois swampland where, in epic fashion, he gathered the waters 'into one place, and let dry land apeer.' From this arable Eden, so created, he became head of the National Drainage Association, and was called to Washington in 1933 as chief of the drainage, levee and irrigation division of the Reconstruction Finance Corporation. He succeeded to the overall chairmanship of that Gargantuan Corporation in 1939, serving collaterally several other important government offices, and two years later was drafted by Wall Street, and here he is. An incredible transmutation. Yet, merely the job was changed, not the man. He brought here the conviction that the world's largest financial market is essentially a public utility, and in seven years of his incumbency, winning universal favor, he has discharged his high responsibilities with most constructive insight, to the unquestioned enhancement of the whole American economy. We would say more power to him with our Doctorate of Laws."


Emil Schram


Benjamin Strong

Chancellor Harry Woodburn Chase conferred the degree with the following remarks:

"Emil Schram, you have discharged your high office with a keen sense of public responsibility which is an asset of the first importance. It is a pleasure to admit you today to the degree of Doctor of Laws of New York University."

Another recipient of the honorary degree of Doctor of Laws, was Benjamin Strong, President of the United States Trust Co.

Vice-Chancellor Harold O. Voorhis presented Mr. Strong, former Treasurer of the University, for the degree with the following citation.

"Benjamin Strong, zealous alumnus of Exeter and Princeton, who early mastered in the banking realm the use of the seven-league boots of his distinguished father, is now President of the United States Trust Co., has an active hand in the affairs of a variety of other financial and industrial corporations, and is no less immersed in civic responsibility as officer and trustee of various philanthropic, public health, musical, educational and religious organizations, including the chairmanship of the finance committee of the Presbyterian Board of National Missions. All this, and President of the Board of Union Theological Seminary too! Even so, to us and everybody else he is jut plain Ben Strong. Today, therefore, we would reiterate our sense of gratitude for his good deeds, and clarify for all time his status as one of our own who has simply been released for missionary work in more needy areas, by labeling him indelibly with the matrix of our Doctorate of Laws."

Thos. W. Gleason, V.-P. Kirchofer Arnold Assoc.

Announcement is made that Thomas W. Gleason, formerly with Kirchofer & Arnold, Incorporated, has been elected a Vice-President of Kirchofer & Arnold Associates, Inc., and will continue as manager of the New York office at 37 Wall Street, New York City.


Thomas W. Gleason

John C. Montgomery Dead

Colonel John Carter Montgomery, U. S. A. retired, and a former Vice-President of The First Boston Corporation, died June 7 at Walter Reed General Hospital, Washington, D. C. after a long illness, at the age of 66. His home was in Alexandria, Va. During his long association with The First Boston Corporation which terminated last year he had lived in Bronxville, N. Y.

Wilson With Conrad, Bruce

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Frederick J. Wilson has become associated with Conrad, Bruce & Co., 530 West Sixth Street. He was formerly with First California Co. and R. F. Ruth & Co.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

The American Banker Index of New York City bank stocks, this first week in June, 1948, is hovering around 41. Four years ago, early in June, 1944, the index was hovering around the same level. In view of this it may be interesting to compare the earnings, dividends, book value and market prices for the two periods of a number of leading New York City banks. For this purpose the following tabulation has been prepared:

	Net Operating Earns. per Sh.		Book Value —Dec. 31—		Dividends		—Asked Price— June 3	June 4
	1943	1947	1943	1947	1943	1947	1944	1948
Bank of Manhattan	$2.01	$2.06	$25.04	$32.24	$0.90	$1.20	22¾	25¾
Bank of New York	24.42	21.88	358.97	456.06	14.00	14.00	410	338
Bankers Trust	[1]3.16	3.00*	[1]41.80	50.25	[1]1.17	1.80	[1]44⅞	42¾
Central Hanover	6.54	6.68	99.15	121.46	4.00	4.00	105	93
Chase National	2.33	2.51	36.87	43.52	1.40	1.60	40½	38½
Chemical Bank & Tr.	[2]2.73	2.61	[2]32.98	43.26	[2]1.44	1.80	[2]43⅛	42½
[3]Commercial National	3.61	3.66	49.10	58.81	1.60	2.00	50¼	44¾
Corn Exchange	4.63	5.03	49.34	58.12	2.40	2.80	51⅝	57
[4]First National	106.16	87.66	1,246.60	1,367.46	80.00	80.00	1,610	1,385
Guaranty Trust	[5]16.61	17.42	[5]282.55	360.67	[5]10.80	12.00	[5]304	281
Irving Trust	1.00	1.26	21.29	22.90	0.60	0.80	16	17¼
[6]Manufacturers Trust	4.86	4.72	41.74	60.03	2.00	2.40	52¼	53½
[7]National City	2.44	3.25	38.29	48.18	1.00	1.60	37¼	42¾
New York Trust	6.51	6.51	85.34	107.33	3.50	4.00	96½	92
Public National	3.31	4.25	48.30	54.25	1.50	2.00	39¾	42½
[8]U. S. Trust	43.54	36.56	758.75	731.82	35.00	35.00	740	585

[1]Adjusted retroactively for 20% stock div. Dec. 29, 1944, for comparison purposes.
[2]Adjusted retroactively for 25% stock div. Dec. 24, 1945, for comparison purposes.
[3]Adjusted for 5-for-1 split.
[4]Total net earnings.
[5]Adjusted retroactively for 11.1% stock div. Feb. 15, 1947, for comparison purposes.
[6]On 1,649,922 common shares in 1943 and 2,062,500 in 1947, after conversion of preferred; no adjustment made.
[7]Includes City Bank Farmers Trust.
[8]Adjusted for 2-for-1 split Dec. 27, 1945.

The tabulation brings out a number of interesting comparisons. For example, net earnings, exclusive of security profits and recoveries, were moderately higher in 1947 than in 1943 for 10 of the 16 banks, as follows: Bank of Manhattan, Central Hanover, Chase, Commercial, Corn Exchange, Guaranty Trust, Irving Trust, National City, New York Trust, and Public. Percentwise, the best gain was made by National City (33.1%), followed by Public (28.4%) and Irving Trust (26.0%). Despite these gains, the market value today is higher only in the case of Bank of Manhattan, Corn Exchange, Irving Trust, National City and Public; Central Hanover, Chase, Commercial, Guaranty, and New York Trust are lower today than four years ago.

It is of interest to note that, marketwise, Chase was 3¼ points ahead of National City, whereas today it is 4¼ points behind.

Dividend increases since 1943 have been made by Bank of Manhattan, Bankers Trust, Chase, Chemical, Commercial, Corn Exchange, Guaranty Trust, Irving Trust, Manufacturers Trust, National City, New York Trust, and Public National. With Chemical and Guaranty Trust, the increase was brought about by stock dividends, as shown in the footnotes to the table, but Bankers Trust increased the rate and also paid a stock dividend.

Book values in all cases have grown substantially, except in the case of U. S. Trust which, in 1947, transferred $1,600,000 ($40 per share) from undivided profits to the Employees' Retirement Plan. Inasmuch as this growth has been brought about, in the main, by the plough-back of earnings, it bespeaks the conservatism of dividend policy in the majority of cases. The degree of this conservatism can be appraised by comparing in the table the 1947 dividends with 1947 earnings. In only two instances, viz. First National and U. S. Trust, is dividend coverage narrow. Dividends in 1947 were earned more than twice by the following banks: National City and Public; and in excess of 1.5 times by: Bank of Manhataan, Bank of New York, Bankers Trust Co., Central Hanover, Chase, Commercial, Corn Exchange, Irving Trust, Manufacturers Trust, and New York Trust.

Physiocratic Balderdash

"First, the Congress should provide a permanent system of flexible price support for agricultural commodities. For the benefit of farmers and of the whole nation, we need price-support legislation which will assure reasonable stability of farm income while encouraging desirable adjustments in production.

* * *

"A second important program for the future of American agriculture is that of soil conservation. Our present soil conservation program must be vigorously supported and rapidly extended.

President Truman

* * *

"As a third element of major importance to agricultural prosperity, we must take steps to maintain adequate markets for farm products and to improve the methods of distributing them to consumers.

* * *

"I believe that we should also start now to develop a practical plan for safeguarding the diets of low-income families. We should have such a plan ready all the time on a stand-by basis, to be put into operation on short notice in case of need. We must never again allow Americans to go hungry while agricultural surpluses are going to waste." —President Truman.

The farmer, of course, is always a court favorite when voting time approaches, but really, had we better not come to our senses about agriculture before we "go broke" in pursuit of current physiocratic balderdash?

Analyzes Rising Plant and Equipment Costs

National City Bank of New York reports provisions being taken by corporations to offset higher replacement costs.

The June issue of the "Monthly Bank Letter," published by the National City Bank of New York, contains a review and analysis of provisions taken by leading American business corporations to account for higher replacement costs of plant and equipment resulting from inflationary prices. The bank estimates replacement costs now range from 50% to 100% above original costs. According to the article:

"The sharp rise in plant and equipment costs has created increasingly acute problems for business since the war in financing the record program of repairs, improvements, replacements, and expansion of productive facilities. Many corporations in their 1947 annual reports devoted considerable space to these problems, and cited figures showing replacement costs last year ranging 50 to 100% or more above original costs.

"In the manufacturing and mining industries, expenditures have been particularly heavy for deferred maintenance and postwar reconversion, followed by improvements and increased capacity to meet the unprecedented demands for steel, chemicals, petroleum, textiles, and many other products. Most of the railroads and the utility industries—electric light and power, natural and manufactured gas, telephone and telegraph, water, traction and bus—have programs for growth and improvements that involved the largest expenditures in their history in 1947 and are projected around the same rate for 1948.

Provision for High Replacement Costs

"The increase in replacement costs over original costs of plant and equipment creates not only the problem of providing the actual funds to finance such replacements as they become necessary, but also accounting problems in the preparation of financial statements to reflect this advance. Since annual depreciation charges to amortize the value of fixed assets over their estimated useful life are based, according to long-established and almost universally accepted practice, upon original costs, they are in most cases at a rate far below that needed to build or purchase similar assets today. This inadequacy of depreciation currently charged against earnings causes, in a sense, an overstatement of net income. What happens is that business is selling out piecemeal its low-cost productive assets and taking the 'profit' into operating income.

"At the same time, the carrying of fixed assets in the balance sheet at original cost less accrued depreciation, or far below prevailing costs, results in an undervaluation of the stated 'net worth' —the book value of total assets less total liabilities and reserves, represented by capital stock and surplus account. Consequently, a high return of net income on net worth may be misleading unless consideration is given both to the possibly inadequacy of depreciation charges, and the fact that net worth at book value is based to a large extent upon costs before World War II, and in many cases going back to World War I or before. Because of recent changes in the price level, figures of current earnings and net worth are no longer strictly comparable, since the former is expressed in current dollars and the latter largely in prewar dollars.

"Last year a number of companies, principally among the larger manufacturing organizations, made special charges in their income statements to provide for accelerated depreciation or for high-cost replacement of fixed assets. In some cases these charges were made against operating earnings, and thus reduced the reported net income correspondingly. In other cases the charges were treated, not as deductions from but appropriations of net income, unavailable for paying out in dividends, wages, or for other purposes, and earmarked to be retained until the time for such replacements. Still other companies created or added to contingency reserves, which may be applied to fixed assets as well as high-cost inventories, unexpected losses, etc. It appears, however, judging from the published reports, that the majority of companies have thus far made small if any special provision for the higher replacement costs.

The 100 Largest Manufacturing Corporations

"With a view to giving some general idea of the difference between the balance sheet valuation of fixed assets and present-day replacement costs, an analysis has been made of the statements of the 100 largest manufacturing corporations, measured by the total assets reported at the end of the 1947 calendar or nearest fiscal year, as given in the accompanying list (Table I). There are of course other ways of measuring size, such as total volume of sales, capital funds, number of employes, etc.

"These companies, which include the largest organizations in numerous major industries, had total assets aggregating $41.6 billion at the end of 1947 and comprise a substantial portion of the total production and employment of all manufacturing corporations. Their total number of employees in 1947, based upon the year-end or annual averages, approximated four million. This represented an average investment in assets of $10,000 per employe. The capital stock was owned by more than five million registered shareholders, a considerably larger number than the total of employees. While the total number of shareholders of the group includes duplications to the extent that many individual and institutional shareholders own stock in more than one of these companies, many a registered shareholder is a financial institution or nominee holding in trust stock for numerous beneficiaries.

"Although no means are available for an accurate estimate of how present-day costs of plant and equipment of a large group of companies such as this compare with the book values at which they are carried on the balance sheets, an adjustment of the latter figures by changes in the index of industrial building costs compiled by the 'Engineering News-Record' should afford a useful approximation.

"This widely-used index, based upon labor and material costs, obviously would not measure accurately the change in costs of all the diversified assets used in all types of industries represented. Book valuations of fixed assets vary also with the dates, in some cases running back many years, at which they were originally acquired, as well as the rates at which they have been amortized. Valuations often are affected by adjustments in connection with purchase and sale of plants, disposal of government war surplus, reappraisals, recapitalizations, reorganizations, and mergers. Corresponding reductions in capital and surplus account for many companies have resulted from writing down fixed assets as well as intangibles.

"The 'Engineering News-Record' and similar indexes, however, trace the rising trend of costs, and the effect if all fixed assets should be replaced at prevailing prices. They indicate the competitive conditions under which a new company would start in business. (Table 2.)

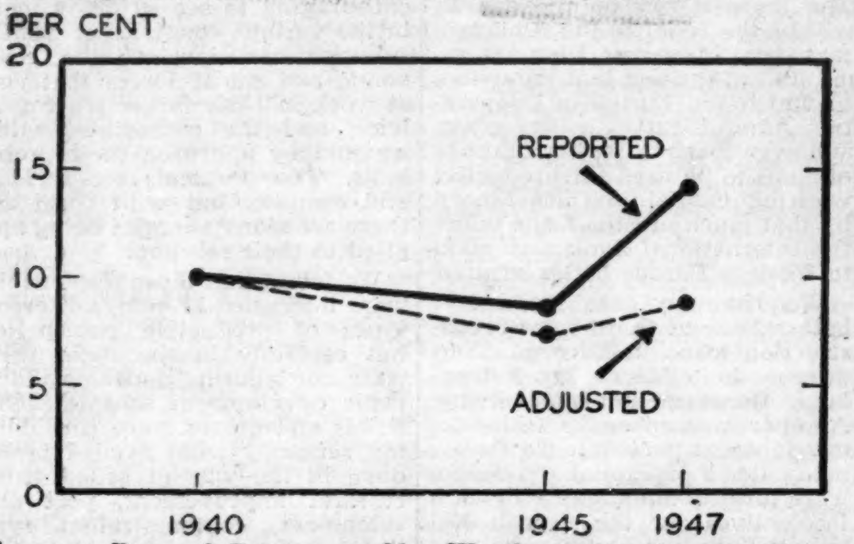
"Total sales and other revenues of these companies, including estimated or preliminary figures for a few companies in which complete operating details are not available, increased from approximately $20.6 billion in 1940 to $39.9 billion in 1945 and $50.6 billion in 1947.

"Net income after taxes totaled

approximately $1.9 billion in both 1940 and 1945, but rose sharply to $3.7 billion in 1947. The average margin of profit, which together with return on net worth is the most widely-used measure of earnings, declined from 9.1 cents per dollar of sales in in 1940 to 4.9 cents in 1945, and rose to 7.4 cents in 1947. As pointed out earlier this year when presenting our annual tabulations of corporate earnings, the large dollar total of net income last year was due chiefly to the enormous expansion in volume of business and not to an unusual widening of profit margins, which in most cases (with some important exceptions) were actually narrower than in former years of active business.

"Upon the book net worth totaling $26.1 billion at the end of 1947, the net income represented an average return of 14.3%, compared with 8.7 in 1945 and 10.0 in 1940. In this comparison, however, the kinds of dollars are different—net income is expressed in current dollars, but net worth is based largely on prewar dollars of much greater purchasing power.

"If plant and equipment, carried at $34.4 billion (before depreciation) at the end of 1947, had been adjusted to 1947 costs, by applying the changes since 1940 in the general index of building costs, the valuation would be lifted by $16.5 billion to $50.9 billion, and book net worth would be lifted by an equal amount. Upon this enlarged base, the reported net income in 1947 represents an average return of 8.8%, actually lower than in 1940. The apparent gain arises from the under-valuation of assets. A comparison between return as reported and as adjusted is given in the chart below:



Average Rate of Return on Net Worth of 100 Largest Manufacturing Corporations, Based upon Balance Sheet Book Values of Plant and Equipment as Reported, and upon Plant and Equipment Adjusted to Approximate Current Replacement Costs.

TABLE I

100 Largest Manufacturing Corporations, Based on Total Assets Reported at the End of 1947

(In Millions of Dollars)

Allied Chem. & Dye Corp.	$575	Liggett & Myers Tob. Co.	$366
Allis-Chalmers Mfg. Co.	202	Mid-Continent Pet. Corp.	116
Aluminum Co. of America	430	Monsanto Chemical Co.	199
American Can Co.	250	Nash-Kelvinator Corp.	138
American Cyanamid Co.	207	National Biscuit Co.	154
Amer. Rad. & Std. San. Corp.	153	Natl. Dairy Prod. Corp.	277
Amer. Smelting & Ref. Co.	256	Natl. Distillers Prod. Corp.	210
American Sugar Ref. Co.	133	National Lead Co.	163
American Tobacco Co.	647	National Steel Corp.	292
American Viscose Corp.	201	Ohio Oil Co.	164
American Woolen Co.	118	Owens-Illinois Glass Co.	162
Anaconda Copper Min. Co.	637	Phelps Dodge Corp.	251
Armco Steel Corp.	249	Phillips Petroleum Co.	439
Armour & Co.	421	Pittsburgh Plate Glass Co.	207
Atlantic Refining Co.	330	Procter & Gamble Co.	242
Bendix Aviation Corp.	123	Pullman, Inc.	197
Bethlehem Steel Corp.	949	Pure Oil Co.	245
Borden Company	222	Radio Corp. of Amer.	216
Borg-Warner Corp.	151	Republic Steel Corp.	455
Burlington Mills Corp.	125	R. J. Reynolds Tob. Co.	458
Caterpillar Tractor Co.	122	Reynolds Metals Co.	112
Celanese Corp. of America	212	St. Regis Paper Co.	133
Chrysler Corporation	487	Schenley Distillers Corp.	318
Cities Service Co.	900	Shell Union Oil Corp.	534
Coca-Cola Co.	192	Sinclair Oil Corp.	591
Continental Can Co.	207	Skelly Oil Co.	129
Continental Oil Co.	209	Socony-Vacuum Oil Co.	1,262
Corn Products Ref. Co.	146	Standard Brands, Inc.	135
Crane Company	129	Stand. Oil Co. of Calif.	876
Curtiss-Wright Corp.	166	Stand. Oil Co. (Indiana)	1,268
Deere & Co.	229	Stand. Oil Co. (N. J.)	2,996
Distillers Corp.-Seagrams	267	Stand. Oil Co. of Ohio	189
E. I. du Pont de N. & Co.	1,438	Sun Oil Co.	242
Eastman Kodak Co.	360	Swift & Co.	437
Firestone Tire & Rubber Co.	324	Texas Company	1,115
Gen. Amer. Transp. Corp.	132	Tide Water Assoc. Oil Co.	263
General Electric Co.	1,027	Union Carbide & Car. Corp.	649
General Foods Corp.	207	Union Oil Co. of Calif.	272
General Motors Corp.	2,473	United Aircraft Corp.	160
B. F. Goodrich Co.	247	United Fruit Co.	419
Goodyear Tire & Rubber Co.	408	U. S. Gypsum Co.	132
Gulf Oil Corp.	929	U. S. Rubber Co.	348
Hearst Cons. Publications	161	U. S. Steel Corp.	2,163
Inland Steel Co.	244	Walker-Gooderham & Worts	134
Inter. Bus. Machines Corp.	184	Western Electric Co.	771
Inter. Harvester Co.	620	Westinghouse Elec. Corp.	602
International Paper Co.	279	Weyerhaeuser Timber Co.	195
Johns-Manville Corp.	115	Wheeling Steel Corp.	158
Jones & Laughlin Steel Cp.	341	Wilson & Co.	140
Kennecott Copper Corp.	541	Youngstown Sheet & Tube	260

The above list excludes a number of large companies whose statements are not yet available for the 1947 calendar or nearest fiscal year, or for the years going back to 1940, including American Car & Foundry Co., Crown Zellerbach Corp., Dow Chemical Co., Ford Motor Co., General Mills, Inc., Philip Morris & Co., Ltd., Publicker Industries, Inc., Remington Rand, Inc., Singer Manufacturing Co., and J. P. Stevens & Co.

Earnings and New Capital

"It should be emphasized that this attempt to adjust for changes in replacement costs should not be taken too literally, but is illustrative of the upward price trends and the problems they have created. This matter of replacement costs is but one of the many factors to be considered in judging earnings. It is not an argument for companies to write up the book value of their assets to current costs as a new basis for computing earnings, since no one knows what the trend of prices may be in the future or at what dates the various assets will have to be replaced. By the same token, however, there is an obvious danger in ignoring replacement costs in determining wage rates and pricing policies.

"The 1947 earnings of many companies have been criticized, in some quarters, as excessive; yet often the same companies, having made vast expenditures from their own and borrowed money for expansion of plant capacity, have been criticized, in the same quarters, for not spending still more in order to meet the apparently insatiable domestic and foreign demand for their products, and also for not increasing wage rates further. The retained earnings of prior years, though designated on the balance sheet as "surplus," are not in the form of cash but already have been invested in fixed and working assets.

"For this group of large corporations, the payments of wages and salaries have in fact increased much more proportionately than have dividends paid to the shareholders owning the business. Total payrolls in 1940 approximated $5.5 billion and were about 4½ times the dividend payments, while by 1947 total payrolls had expanded to $12.3 billion and were 7½ times dividends.

"Average annual compensation per employe rose from $1,800 in 1940 to $3,100 in 1947, an increase of 72%, which was more than the rise during the same period in the Bureau of Labor index of consumer prices, amounting to 59%.

"As the dollar total of dividend payments increased only 39% from 1940 to 1947, despite an increase of the same percentage in shareholders' equity from retained earnings and new stock issues, the shareholders as a group lost ground in terms of the purchasing power of their income.

"If business is to continue its long-term growth trend, to produce more goods at reasonable prices for the American people and to provide more jobs at high wages, then good earnings are essential to build and attract the new capital needed. Business is being called on to raise capital for financing the expansion of facilities for increased output of steel, greater petroleum production and refining, growth of public utilities, mechanization of coal mines, super-markets to lower food distribution costs, and so on.

"Under present conditions, retained earnings are relied upon as the chief source of new capital. Sale of new preferred or common stock is limited by a generally unreceptive market for new equity securities. Borrowing has the effect of increasing the debt ratio, and if carried too far runs against the credit control policies of the monetary authorities. Even if funds are raised in part from these alternative sources, the maintenance of good earnings is still required to justify the loan or investment."

TABLE II

100 Largest Manufacturing Corporations

(In Millions of Dollars)

Sales and net income	**1940**	**1945**	**1947**
Total sales and revenues	$20,600	$39,900	$50,600
Net income after taxes	1,875	1,943	3,730
Dividends (preferred & common) paid	1,198	1,208	1,668
Net income per sales dollar	9.1c	4.9c	7.4c
Dividends paid per sales dollar	5.8c	3.0c	3.3c
Plant and equipment, net worth, and rate of return, based upon reported balance sheet book values of plant & equipment.			
Plant and equipment, 1940 total	24,448	24,448	24,448
Additions 1941-45	----	3,748	3,748
Additions 1946-47	----	----	6,225
Total to date	24,448	28,196	34,421
Less: Reserve for depreciation	11,701	16,145	17,745
Net total to date	12,747	12,051	16,676
Net worth end of year	18,701	22,227	26,093
Rate of return—net income to net worth	10.0%	8.7%	14.3%
Plant and equipment, net worth, and rate of return, adjusted to approximate replacement costs of plant & equipment.*			
Plant and equipment, 1940 total	24,448	28,440	38,386
Additions 1941-45	----	3,990	5,386
Additions 1946-47	----	----	7,140
Total to date	24,448	32,430	50,912
Less: Reserve for depreciation	11,701	16,145	17,745
Net total to date	12,747	16,285	33,167
Net worth end of year	18,701	26,461	42,584
Rate of return—net income to net worth	10.0%	7.3%	8.8%

*Plant and equipment adjusted by changes since 1940 in the Engineering News-Record Index of Building Costs (1913=100) from 208.2 in December 1940 to 242.2 in December 1945 and to 326.9 in December 1947, applied to the total plant and equipment in December 1940, plus the additions during 1941-45 at an assumed average cost of 227.5, plus the additions during 1946-47 at an assumed average cost of 285.0.

With First Cleveland Corp.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Jack K. Elwood is with the First Cleveland Corporation, National City Bank Building, members of the Cleveland Stock Exchange.

A. Lepper & Co. Adds

(Special to The Financial Chronicle)

CINCINNATI, OHIO—A. Lepper & Co., First National Bank Building, members of the Cincinnati Stock Exchange, have added William D. Duble to their staff.

Charles B. Harding on Advisory Committee

Charles B. Harding, senior partner of Smith, Barney & Co., New York, has joined the Industries Advisory Committee of the Advertising Council according to announcement by Charles E. Wilson, Chairman of the Committee and President of General Electric Co. As a member of the Committee, which is composed of 36 top-flight business leaders, Mr. Harding will represent investment banking firms throughout the country.

Charles B. Harding

At the same time, Mr. Wilson announced that John Collyer, President of B. F. Goodrich Co., Benjamin F. Fairless, President of U. S. Steel Corporation, and Robert L. Warren, President of Brockway Glass Co., have joined the Committee.

The new members will represent the investment banking business, the rubber industry, the iron and steel industry and the glass industry on the committee composed of 36-top flight business leaders. The Committee was formed to suggest new public service campaigns to the Advertising Council, to advise on Council campaigns affecting specific industries; and to aid the Council in raising its annual budget.

Results of the fund-raising efforts of the Committee to date amount to $173,477 received in cash and pledges toward the $650,000 necessary for the '48-49 Council operation. This figure includes contributions from only nine of the thirty industries represented on the Committee. Other members of the Industries Advisory Committee have not as yet made their reports and still others have not started soliciting their respective industries.

Special impetus has been given by the Industries Advisory Committee to the campaign for a better understanding of the American Economic System by soliciting pledges of advertising support from leading industries. This campaign will be launched in the Fall.

Rockwell-Gould Co., Inc., Opens in Elmira

ELMIRA, N. Y. — Rockwell-Gould, Inc., announce the opening of their offices in the Robinson Building, 159-167 Lake Street.

Members of the firm are: President, Dudley D. Rockwell; Treasurer, Willard L. Gould. Both have had several years' experience in the investment business in the Elmira territory.

The firm principally will sell mutual funds, bank and insurance stocks and over-the-counter securities.

Formation of the firm was previously reported in the "Financial Chronicle" of May 20.

Donald G. Babbitt With Keane & Co., Detroit

(Special to The Financial Chronicle)

DETROIT, MICH. — Donald G. Babbitt has become associated with Keane & Company, 645 Griswold Street, members of the Detroit Stock Exchange. Mr. Babbitt has recently been with Baker, Simonds & Co., specializing in municipal securities. In the past he conducted his own investment business in Detroit.

Railroad Securities

One of the major forces working toward the restoration of railroad credit over the past eight to 10 years has been the adoption of more conservative financial policies. The greatest weakness of the vast majority of railroads during the depression era was their heavy debt structure. It had long been the practice in the industry to capitalize improvements and additions to the properties largely through the issuance and sale of bonds. Except in the case of equipment securities there was rarely any provision made for the systematic repayment of the principal of this debt. Adequately maintained the railroad plant was considered permanent so the debt thereon was treated the same way. The bonds did have a maturity date but when that date arrived it was anticipated that they would be extended or refunded.

Following the depression, when very few roads failed to cover their operating costs but many found it difficult, if not impossible, to support their debt charges, there was a pronounced change in policy throughout the industry. Most railroads, including some whose debt structures had been pared drastically in reorganization, embarked on aggressive debt retirement programs. Ambitious property improvements have been undertaken in recent years but except for new equipment these additions and betterments have been financed out of earnings and not capitalized. Heavy capital improvements accompanied by sharp cuts in outstanding debt, contrasted with the industry's earlier history of mounting debt, has been one of the most favorable aspects of the railroad picture. It is small wonder, then, that evidence that some of the carriers are reverting to the earlier policies is not being viewed enthusiastically by railroad security analysts.

Chesapeake & Ohio in recent years has spent substantial funds on extension of lines into new coal territory, improvement of its coal handling facilities, etc. At the same time, it has maintained a liberal dividend policy. This combination left the road in a tight financial position. The management has apparently not wanted to capitalize the property additions and betterments with long term mortgage debt. Instead, it has recently adopted a policy of selling equipment trusts obligations up to practically 100% of the cost of new equipment rather than the usual 75%-80%. While this has the result of inflating the debt structure effectively to cover the cost of non-equipment capital expenditures it at least has the advantage of getting the lower interest cost typical of equipment issues and of providing for serial repayment. The equipment obligations mature in equal instalments over a 10 year period.

The financing of Kansas City Southern earlier this week is in a different category, as is the contemplated financing of Philadelphia, Baltimore & Washington (leased line of Pennsylvania) on June 22. The first of these was merely for the refunding on a term basis of the bank loans of the subsidiary, Louisiana & Arkansas, already existing. There was no increase in the debt. The purpose of the Philadelphia, Baltimore & Ohio $17,570,000 issue is to pay in cash bonds held by the lessee. Pennsylvania's need for cash stems at least in part from the maturity this year of direct or guaranteed non-equipment debt in the amount of over $35 million which has been, or will be, paid off.

Of far greater import than any of the above is the reported intention of Louisville & Nashville of selling $30 million of term debt to reimburse the treasury for capital expenditures made on the properties. Press reports to this effect came as considerable of a surprise to railroad analysts last week. This is particularly true inasmuch as finances have appeared fully adequate for the road's needs. Recent balance sheets showed net working capital of close to $41 million with cash and equivalent of more than $37 million. The road has no debt other than regular serial equipments maturing until 1955. Last year it reduced its non-equipment debt by only $347,000. As a matter of fact, sale of $30 million of term debt would offset a large part of the 1941-1947 reduction of $50,751,000 the company made in its non-equipment obligations. Moreover, during that period equipment debt increased almost $14 million.

First Boston Offers Kansas City So. Bonds

The Kansas City Southern Railway awarded June 8 to an underwriting group headed by The First Boston Corp. a new issue of $14,000,000 first mortgage 20-year bonds, series B, due June 1, 1968. The group submitted at competitive sale a bid of 99.40 for a 3⅝% interest rate. Subject to approval of the Interstate Commerce Commission, the group is offering the securities at 100.35 and accrued interest to yield 3.60% to maturity.

Proceeds from the financing will be used by the company to purchase from the Louisiana & Arkansas Railway $14,000,000 of its first mortgage 4% bonds, series D, due May 1, 1969. The latter company will, in turn, utilize the proceeds from its sale to redeem a like amount of its 1¾% promissory notes due May 28, 1949. The issue of Louisiana & Arkansas first mortgage bonds will be pledged under the first mortgage of Kansas City Southern Railway.

Associated with The First Boston Corp. in the offering are: Dick & Merle-Smith; Goldman, Sachs & Co.; Kidder, Peabody & Co.; F. S. Moseley & Co.; Laurence M. Marks & Co.; Stroud & Co. (Inc.); Central Republic Co. (Inc.), and Riter & Co.

Oscar F. Kraft Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Oscar F. Kraft & Co., 530 West Sixth Street, have added Lawrence Strom to their staff.

World Recovery and World Bank

(Continued from page 17)

has presently available some $470 million for lending purposes without further borrowing. In spite of the fact that there are numerous sums and guarantees behind the Bank's obligations the Bank still has to compete with the high grade obligations of governments, and industries, public and private, for the favor of the capital market. It is bound by its Charter to follow certain standards.

Its loans must be productive loans. They must be for things which definitely benefit or improve the economy of the countries involved; there must be a reasonable prospect of repayment and the Bank must be satisfied that the proceeds of the loans are used for the purposes for which the loans were approved. As the sources we have for making loans are dependent upon the confidence of investors, that is to say private investors, so the Bank is designed to stimulate the flow of private investment into productive purposes throughout the world. It is the hope of its management, as well as its definite objective, to have the Bank serve as a bridge between the flow of government and private capital. As I read the Charter, as well as the committee reports and debates in the Congress and the other legislative assemblies of the members which adopted the Charter, the Bank justifies its full existence precisely at the moment when the world (in part at least due to the Bank's efforts) is no longer in need of its services.

As the postwar world developed, due to many causes which it is not necessary to recount tonight, enormous balance of payments deficits arose between the countries in Western Europe and the United States and between each other. These deficits were so great that no institution constituted as the International Bank could possibly cope with them and have any funds available for reconstruction and development either in Europe or in other parts of the world. These deficits were symptoms of fundamental economic disorders and represented trends with which the Bank was never designed to deal, at least singlehandedly. If the Bank is to maintain the confidence of its investors, to do its duty toward its stockholders, it is necessary that its energies and resources should be devoted to the creation or maintenance of fairly definite productive projects whose output, in whatever form, is something of which the particular country or the world stands in economic need.

Offsetting Economic Imbalance

With the advent of the European Recovery Program large additional sums were made available which, if providently used, should substantially check if not alter some of the forces which were tending to create this economic imbalance in the world. In large part its funds are made available for the supply of food, fuel, raw materials, for the general rehabilitation of Western European economy. It will also have some funds available for the supply of capital goods and reconstruction items to Western Europe. It is in this latter field that the International Bank wishes particularly to assist and supplement the efforts of the European Recovery Program. The Bank, in the closest cooperation with the European Recovery Program, will continue to search for economically productive projects, which meet its standards and the various countries needs.

The Charter of the Bank requires that its funds be equitably distributed between reconstruction and development. Western Europe is but one part of the world which the Bank serves. There are other areas in which reconstruction is in great need of financing and there are other areas, very large areas, South America, Africa, and the Far and Middle East, which are in need of development financing. The Bank cannot finance all of the worthy projects that exist throughout the world. Indeed there is no single institution or group of institutions that could possibly cope with such a problem. But the Bank can select throughout the various areas projects which give the greatest promise of wide economic value. How much of its funds will be made available for Western Europe it is impossible to say with any degree of exactness. It depends upon many things but the Bank does not intend to withdraw from Western Europe during the course of the European program. The more it can do the greater will be the relief to the American taxpayer. Moreover, I am not unmindful of the fact that the extent to which the European Cooperation Administration makes grants and even loans to Western Europe of sums to be used for productive working capital and machinery, by that much are the loans which the International Bank may make to Western Europe better secured.

We have to date made five loans. Four of these were reconstruction loans in Europe. They were made to France, The Netherlands, Denmark, and Luxembourg. Another was made to Chile for development purposes. To France many items of capital equipment were furnished, including 100 new locomotives for the French National Railways, bulldozers and other types of earth moving equipment for the work on the Genesia Dam in the Rhone Valley, south of the City of Lyons. Fifty new cargo ships were placed in the service of the Dutch merchant marine as a result of the Bank's loan. Agricultural machinery was made available for Denmark; Luxembourg is receiving new steel mill equipment, mainly from Pittsburgh. Many machine tools and other equipment are being purchased in Cincinnati out of funds received from the proceed of loans from the International Bank. There is no limitation placed upon where the proceeds of the loans may be spent and our records show that the proceeds are in fact, spent in various parts of the world as well as in the United States. To South America, for example, we can trace something around $50 million of the $300 million which have thus far been drawn down on the Bank's loan.

I shall leave any further questions regarding the organization of the Bank or the types of loans it has made, or its relation to the European program to the question period but speaking of South America I would like to say a word or two about a trip to South America from which I have recently returned. A small group from the Bank visited Colombia, Ecuador, Peru, Chile, Argentina, Brazil, Uruguay, Venezuela and we spoke with representatives of a number of other Latin American countries including Paraguay and Bolivia while we were on the way.

Economic Distortions of Nationalism

It is difficult, if not impossible, to generalize about a Continent, and one of the chief impressions I received from our trip was the manner in which one country varied from another. If one can dare to generalize it would be to say that all of the countries that we visited seemed particularly alert and sensitive to the needs of their economic development. With all its great advances the Continent as a whole is still largely undeveloped. There is a certain impatience to get on with the development for here, unlike the developments which took place in the North American Continent, steps have to be taken under the intimate knowledge and pressure of what is going on elsewhere in the world. It is pioneering with a radio and a motion picture at hand. The desire to telescope the period of development is apparent and praiseworthy. It may, and probably will, produce economic distortions but the condition remains.

I don't want to give you a travelogue of South America but economically speaking my trip confirmed the fact which I believe most of us have that here is an area both for its own welfare and the welfare of the world should be brought as rapidly as practicable to fuller productivity. It is encouraging to see so many men in the various countries of South America conscious of the economic and social forces that are at work in their respective countries, and the earnestness with which they approach their problems. The problems are serious and complex but with them all there are many energies being applied to their solution.

We found that those responsible were interested in many different types of productive enterprises but certainly in the main they were not laboring under any fantastic development schemes. Officials and others were considering seriously what needed to be done in the way of sound agricultural improvement, port development, communication systems, power projects and the like. In some of the governments of our member countries in the South American Continent serious consideration was given to schemes for immigration and settlement whose object would be to receive into their countries from the over-populated areas of the European Continent immigrants and settlers of the type who could be relied upon to carve out their homes and their opportunities in new lands. Schemes of this sort in these days require careful preparation and organization and they also require some financing. The North American Continent could and did rely on the natural flow of economic forces to provide settlers. Those who came to Cincinnati after 1848 came largely under their own power. But today dislocations arising from the war and other conditions make it necessary and desirable to assist these forces. It is a field in which much can and should be done, in my judgment, and is one in which the International Bank with the cooperation of the countries involved may be able to help. A discussion of this subject marked one of the most interesting phases of our trip.

Another phase of our South American trip brought to light the great desire, of most of those countries at least, for technical assistance and advice in connection with their development. The Bank has certain facilities which it can make available in this connection and it has many contracts which we are prepared to utilize on behalf of the member countries should they so desire.

It was encouraging also to meet with many who realized the limited role that lending can play in the development of a Continent. Certainly in most, if not in all, countries we visited the greatest interest was shown the discussion of steps that might be taken to induce the flow of capital generally into the area. No Continent can be developed entirely by debt. It takes venture capital as well as investment capital to make a country. To put it another way, I think one can say that no country was ever satisfactorily developed solely through class triple A investments. It takes some wild-

catting, some speculating, the willingness to take real risks. It requires equity as well as debt financing. Moreover, sole dependence upon governmental grants, public agency lending, is bound in the long run to prove unsatisfactory. Trade and commerce generally does not lend itself to the rigidities of such procedures. A dependence upon legislative wills and political fashions is not a substitute for a wholesome flow of private capital between countries and this is a generalization which is by no means limited to Latin America.

The International Bank is still very young, but it has thus far indulged in considerable lending and some borrowing. Early in its career it has met with a very welcome competitor in terms of the European Cooperation Administration. There are many problems before it but I think it has already afforded to the world an example of an international institution which can apply itself objectively to the solution of some of its members' problems. It has day to day tasks to perform and I think if you visited the offices of the Bank you would find little to distinguish it from the interior of other banks or insurance companies, or enterprises which you would be apt to visit in the City of Cincinnati. I think you would be particularly impressed with the staff of the Bank and its directors. They are objective, experienced and knowledgable about economic and financial matters. Their loyalties are to the Bank and it is rarely that a purely national point of view is expressed in connection with the many international transactions with which they have to deal.

You who are here are presumably interested in the operation of foreign relations. I do not mean to ascribe too much to what the Bank may contribute to the solution of this world's ills but I do believe it has already afforded an example of international dealing which embodies real hope for the future.

Halsey, Stuart Offers California Electric Bds.

Halsey, Stuart & Co. Inc. on June 7 offered $2,500,000 California Electric Power Co. first mortgage bonds, 3% series due 1978, at 100.99%, yielding approximately 2.95%. The bonds were awarded the firm on its bid of 100.2699%.

The net proceeds from the sale of the bonds will be used to retire $2,000,000 notes, issued to assist in completing the company's 1947 construction program and to finance in part the company's 1948 program, and the balance will be used to finance in part its further construction program.

The company's total operating revenue in 1947 exceeded $8,500,000 and after all operating expenses, including depreciation and all taxes, there remained $1,853,000; maximum annual interest requirements on all bonds now outstanding, including this issue, will total $555,000.

The company is engaged principally in serving electricity in extensive areas in California and in sections of Nevada. It also manufactures and sells ice in portions of Imperial and Riverside Counties in California and through a subsidiary supplies telephone and telegraph service principally in the territory in which it supplies electricity. Among the larger cities served are San Bernardino, Riverside and Palm Springs.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF. — Lowell L. Hall has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 454 No. Camden Drive.

Mutual Funds

By HENRY HUNT

The Widow's "Blue Chips"

In August, 1939, "Barron's" ran a contest on how to invest $100,000 for a widow. "Barron's" analyzed the 801 entries that received preferred ratings and published a list of the common stocks that were most generally chosen. The top five in order of popularity were:

(1) **Du Pont.**
(2) **American Tel. & Tel.**
(3) **General Electric.**
(4) **International Nickel.**
(5) **General Motors.**

Each of the above stocks appeared in 300 or more of the 801 entries analyzed — entries submitted for the most part by informed students of securities; professional analysts, investment counsellors and the like.

The difficulties besetting the investor who attempts to select individual securities are indicated by the results of an equal dollar investment in each of the above stocks in August 1939. Despite the fact that the "Dow" is currently 35% above its level of 131 in August 1939, the widow's five "Blue Chips" have appreciated only 11% on the average. Furthermore, we know of no common stock mutual fund that has made as poor a showing during the past nine years as the five most popular stocks selected for the widow.

A common error made by many conservative investors is to confine their purchases of common stocks to the largest company in any given industry. Such companies seldom offer the growth potential or the profit possibilities that a carefully selected smaller company does. However, it generally requires an intimate knowledge of the smaller company's affairs and wide diversification of risk to invest successfully "off the beaten path." Many mutual funds provide such intimate investment "know-how" plus wide diversification at moderate cost to the investor.

King Merritt Sells for Keeps

King Merritt, who as sales manager for **Investor's Syndicate,** trained over 20,000 salesmen, has been building up a retail sales organization of his own during the past 21 months. Offering only shares of selected mutual funds, King Merritt's sales are currently running in excess of $500,000 a month. Mr. Merritt recently told us that he expects to hit $1 million a month before the end of the year. Less than ½ of 1% of his sales have come back through redemptions to date. That's what we call selling for keeps.

Frontiers

One of the best written pamphlets that has reached our desk in a long time is "Frontiers" by **Woodford Matlock,** President of **Broad Street Sales Corporation.** We quote, in part:

"Our grandfathers and fathers lived in days when it was easier to be a successful investor than it is today. Theirs was an era of frontiers and undeveloped resources—a period of rapid growth of the United States as a whole. Naturally it required brains and ingenuity to build this rich industrial country. It was not accomplished without risks and losses. But they received substantial aid from the rapid growth that resulted as our frontiers were settled.

"The investors of that period saw the vast rich territory west of the Mississippi River multiply our wealth as they developed farming, cattle, lumber, gold, oil and other valuable resources. They saw railroads link the Atlantic and Pacific coasts as they reached out to service these new markets. As our frontiers moved westward, they saw the building of great industrial plants to meet the constantly increased demand for the manufactured products of the East.

"In this young, vigorous rapidly growing country, it was not difficult to be a successful investor. While any age has its share of failures, during this period of vigorous development, the amazing progress of the many enterprises that did succeed more than offset the losses. Success was the more certain and the greater because expansion was so general and so rapid that it often compensated for errors of individual judgment.

"Ours is a more mature country. Our economy is still growing but at the slower tempo that comes with age. When the fertile lands were settled and the natural resources put to work, American enterprise sought new frontiers to conquer. Business is still growing, but its growth is often less spectacular and more selective. The frontiers of today exist in the research laboratories and in the brains and resourcefulness of the managers of our industries.

"From the brains of our scientists have come such products as nylon, penicillin, television, atomic energy, and many even more startling are certain to come. From the brains and ingenuity of our industrial leaders come new ways of manufacturing, new methods of operation, new sales methods. As they develop new industries and spur the growth of existing enterprises, the achievements of technology and management offer opportunities to the investor who is prepared to take advantage of them.

The Investor Has a Difficult Task Today

"New industries are being born and established industries are continuing to expand. But, with older industries levelling off and, in some cases, going into decline, the possibilities of profit are less, while the hazards of loss remain.

"Complicating the investor's task today is the fact that potential growth is not always easy to recognize. It is difficult for the average investor to obtain information on the practical results of research. Even if the investor does know the value of some discovery, he cannot be certain that another research group has not already found a product to supplant it. Technical research is not only a strong force, but in addition industry continues to step up the rapid pace at which our frontiers, through research, have been expanding in recent years.

"In 1930 industry spent on research an estimated $116 million and in 1939 $120 million, but the replies to a questionnaire of the National Association of Manufacturers indicate that $740 million was spent in 1947. In addition, the Federal government entered the research field with considerable force. In 1930 it appropriated less than $25 million for this purpose, and in 1947 this had risen to $625 million. The similar budget for 1948 is $770 million plus $118 million to be spent on atomic energy alone. The investor today has a difficult and additional task—that of keeping abreast of the accelerated developments of research."

28.5%

Hugh W. Long has issued an attention arresting folder citing the volatility of the portfolio of **Diversified Industry Shares.** It points out that between the February '48 low and May 15, the asset value of D. I. S. increased 28.5%, as compared with 14.9% for the "Dow" during the same period.

British Production

"These Things Seemed Important," published by **Selected Investments Company,** quotes from the "Wall Street Journal" as follows:

"At Labor Party Conference last week, Minister Bevan applauded 'the fecundity' of socialism in the field of industrial production; but, unfortunately the economic service (London & Cambridge "Economic Service") released its index of today's production, compared with the prewar period. This index shows British industrial production is running only 10% above 1938 compared with U. S. pace of 94% above its '35-'39 average. Moreover, if '37 is substituted for '38, British production today is only 2% higher and in 1937 there were one million fewer workers in Britain. This means productivity per man-year today is about 13% below '37."

Notes:

Calvin Bullock's Nation-Wide Securities reduced its common stock position from 49% of assets on March 31, 1948 to 39% on May 20.

National Securities and Research Corporation has issued a new bulletin on its "Steel Shares."

Commonwealth Investment Company, of San Francisco recently declared a dividend of 6c a share, its 62nd consecutive quarterly dividend.

Wellington Fund's new prospectus includes illustrations and enjoys the unique distinction of being in keeping with the "new look" age.

Business Man's Bookshelf

Bretton Woods En Het Internationaal Monetair Bestel — H. J. Stokvis—Debet aan H. E. Stenfert Kroese's Uitg.-Mij n v., Breestraat 14, Leiden—paper—ing. f. 11.—; geb. f. 12.75.

Cumulation of Economic Knowledge, The—Arthur F. Burns—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper.

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Securities Salesman's Corner

By JOHN DUTTON

There has never been a time when a good merchandising idea could not stimulate business. The essence of every successful sales campaign is timeliness. Watch your newspaper advertisements. Notice how the successful department store promotions present merchandise that the public needs at a time that they want it. A "scoop" in summer clothing in June, a bargain in housewares during the time when spring housecleaning is in full swing; moth proofing supplies in May, and plum puddings before Christmas; that is the way it is done, and the reason it is this way is that experience has proven that the time to sell people what they want is when they want it.

People do not walk into a broker's office and buy securities just because they have some idle cash, or because the weather is lovely and they feel like putting some nice new paper in their safe deposit boxes. But the only difference between the advertising and sales promotion that is needed to stimulate business in the investment business and that which is used by successful retailers in other lines, is that in the investment business STRONGER MOTIVATION is the key to success. A simple illustration of how this works can be compared to the department stores which inaugurated winter overcoat and fur sales during August some years ago. The very thought that any one would be willing to walk into a clothing store on a hot sultry day and buy an overcoat must have been quite a hurdle for the first advertising executive who tried to convince his boss that he could sell overcoats during dog days. But when that first ad appeared illustrated by wind and snow swirling around a warmly coated fellow with his collar turned up around his neck, and it read "Winter is coming, get ready now and SAVE money by doing it," people stopped, looked, and bought overcoats in August. Today the August overcoat sale is a fixture with most successful department and specialty stores.

That is the way it is in investment advertising and sales promotion. Most people know that they should save money. They know that idle dollars are lazy dollars. They know that money that brings them in little or no income at all SHOULD be working for them. They know that money can grow if they buy stocks in companies that also have "growth" possibilities. They know that when stocks are low that they should be bought and that large profits can be made in this way. They know that the dollar has been losing its purchasing power for the past 15 years. They know that this depreciation in the value of their savings in the savings banks, life insurance companies and their investment in United States government securities has today reached the alarming rate of about 50% of their value in 1940 when measured by the purchasing power of the fiat dollars we now use in this country. They know these things just as they know that winter is coming and they will someday need a coat to keep them warm. But it is the security dealers' job to bring these well accepted ideas FORCEFULLY BEFORE the great mass of the people of this country who are loaded down with what is the most **unattractive investment** they could possibly hold today, and that is CASH AND ITS EQUIVALENT IN WHAT IS CALLED HIGH GRADE BONDS—GOVERNMENTS NOT EXCEPTED.

The following advertisement illustrates the use of a sound and constructive investment idea, such as the effects of inflation upon hoarded cash to MOTIVATE interest in the acquisition of securities.

WHAT ABOUT YOUR DOLLARS?

Do you hold surplus cash today? If so, have you noticed how these dollars have been shrinking in value?

Your 1948 dollars will now buy only about 50% as much as they did in 1940.

Every postwar period in history has been followed by a prolonged inflation.

Investors in carefully selected common stocks have always benefited during such periods.

We have compiled a list of attractive investment common stocks that should fare well in both inflation and deflation, which we shall be pleased to send upon request. Ask for our bulletin R

No Charge — No Obligation

YOUR INVESTMENT DEALER

ANYTOWN U. S. A.

Variations of this idea can be used in newspaper and direct mail campaigns. Certainly there never was a more propitious time to offer good common stocks to your public—and they have the cash to buy them now too—you just have to make them stop, look, and THINK. That is what we get paid for doing when we sell securities.

Reports 60% of National Banks' Profits Turned Into Capital Funds

Gordon D. Palmer, head of National Bank Division of ABA, discloses increase to over $5.4 billion at end of 1947 in capital funds of national banks.

Sixty per cent of the total net profits of the national banks of continental United States in 1947 were plowed back into capital funds to add strength to the banking structure, according to Gordon D. Palmer, President of the National Bank Division of the American Bankers Association, and President of the First National Bank, Tuscaloosa, Alabama.

Gordon D. Palmer

In the annual report of the President of the National Bank Division to the more than 5,000 national banks which are Division members, Mr. Palmer discloses that the increases brought the capital funds total to $5,407,000,000 by the year-end 1947. The report shows further that assets of the national banks expanded nearly 4.2% to $88,000,000,000, a sum exceeded only in 1945. "There was a considerable change, too," he said, "in the employment of these funds. Average holdings of investments, based upon the three condition reports, decreased 10.4%, while loans and discounts advanced 26.8%. The overall result of these changes was a decrease of 1.4% in the average volume of loans and discounts and investments, and their failure by 1.5% to maintain their 1946 ratio of 76.5% to total assets."

Gross Earnings Up—Net Profits Down

Net profits of the national banks went down in 1947, despite the increase in gross earnings. The gross earnings, Mr. Palmer shows, "were 9.6% higher than in 1946. This improvement, however, did not carry over into net. Instead, net profits before dividends were 8.4% lower. The reduced net earnings, in spite of a steady gross rate on investments and a slight improvement in the loan rate (which, nevertheless, was lower than in any year prior to 1944) are attributable largely to an increase of 11.3% in operating expenses. Taxes were a little higher; salaries and wages increased 15%; recoveries and profits on securities were down considerably; and losses on loans, in excess of recoveries, were up sharply."

Public Utility Securities

South Carolina Electric & Gas

South Carolina Electric & Gas was originally a subsidiary of General Gas & Electric in the Associated Gas & Electric System. On the breakup of General Gas it became a subsidiary of Associated and the shares were distributed to stockholders of the successor company, General Public Utilities, in 1946. The stock was placed on the Big Board and has had a subsequent range of 5¾-9 (1948 range 5¾-7¼).

The company served an area, centered around Columbia, almost in the exact center of the State of South Carolina. It is principally a hydro-electric property, with standby steam generating facilities. Unfortunately it has had contracts for the wholesale supply of power to other firms, which in times of low water supply have made it necessary to run its inefficient steam plants (or buy power elsewhere) at considerable higher expense. Thus the drought in 1945 forced share earnings down to 31¢ compared with 90¢ in the previous year; they recovered to 80¢ in 1946 (Standard & Poor's adjusted figures). In 1947 the company again encountered low water, and in the 12 months ended Sept. 30 share earnings again dropped sharply to 37¢ vs. 97¢ in the previous 12 months' period. However, with a plentiful water supply in the latter part of 1947 and other favorable factors, earnings quickly rebounded to $1.13 in the 12 months ended March 31 (63¢ being earned in the first quarter of 1948 vs. 24¢ last year). This erratic trend of earnings, as well as the moderate dividend rate (50¢ in 1947) detracted from investment interest in the stock.

Last October the company signed a purchase agreement with Commonwealth & Southern Corp. to buy all the outstanding stock of South Carolina Power Co., a somewhat smaller adjacent property. Due to local opposition and the necessity of getting the approval of the State PSC, the SEC and the FPC, the sale was not consummated until recently. The purchase funds of $10,200,000 were obtained through sale of 80,858 shares of 5½% convertible preferred stock (par value $50) and 404,293 shares of common stock (par $4.50). Subscription rights for both stocks were offered to holders of the common stock, and the offerings were underwritten by Kidder, Peabody & Co. The preferred was offered at par and the common at 6½.

The acquisition should prove beneficial to the company although the price paid to Commonwealth appears to be on the liberal side. The generating capacity of South Carolina Power (the new subsidiary) has been recently increased by construction of a new steam plant on the Ashley River near Charleston, the first unit of which was placed in operation Dec. 1. In the opinion of the management joint operation of the two companies should improve the earnings of the system because of the following benefits:

1. A fuller utilization of water at the hydro plants during good water periods.
2. More efficient utilization of the steam generating plants by operating the most efficient units on base loads.
3. Combined operations of both systems will not necessitate any increase in the present reserve generating capacity.
4. More efficient use of transmission facilities of both companies, reducing power loss and improving service.

The prospectus on the new securities shows combined gross income before Federal income taxes (in millions) for calendar years as follows:

1947	$3.9
1946	4.1
1945	3.2
1944	4.2
1943	4.6
1942	4.6
1941	3.8
1940	3.0

Complete pro forma figures are given only for the calendar year 1947 and the 12 months ended March 31, 1948. In the former period 81¢ a share was earned on the new common stock, and in the latter $1.01.

A semi-annual dividend of 25¢ has been declared payable on the common stock June 28 to record holders June 17. There is no indication as to whether the rate may eventually be raised. Certain dividend restrictions are described on page 47 of the prospectus, and the restrictions on use of earned surplus for dividends are explained in Note 2 on page 70. These restrictions are somewhat difficult to interpret, but for the present it would appear a sound policy for the Company to build surplus to a higher level through continued conservative dividend payments.

The new preferred stock, convertible into seven shares of common, is currently selling around 51½ to yield about 5.35%, and the common is around 7. Over-all coverage of interest charges and preferred dividends is about 1.64 times. Complete conversion of the new 5½% preferred (there is also an old issue of 5% preferred) into common would reduce current share earnings to around 82¢.

Wall Street Spoofed

Record Sales of "Bawl Street Journal" at Bond Club Field Day

If you've heard radio commentators discussing two new bills passed by Congress—one of which would insure a minimum daily trading volume of four million shares on the New York Stock Exchange, and the other draft every youth of 18 for a period of two years which he must spend selling securities — chances are they got their information from the "Bawl Street Journal," published June 4 by The Bond Club of New York in connection with the Club's annual field day.

Each year the Bawl satirizes the Street and its denizens, poking fun at its own foibles and those of its clients. This year's front page tells how a large insurance company is going to make a charge each time a bond salesman phones to offer it securities; another story relates how President Truman dedicates his new back porch with the aid of Dr. Kinsey, the author of "What Every Young Girl Should Know."

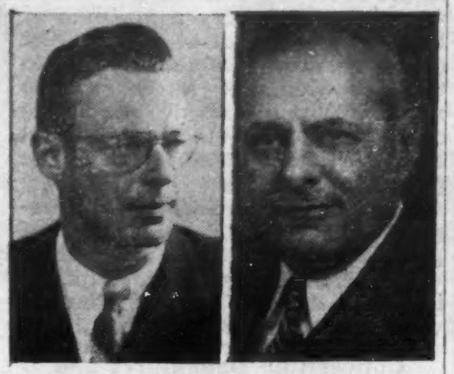
Advertisements make the 1948 Bawl sparkle. Kuhn Loeb & Co. proudly announce that its private elevator is older, smaller and slower than Kidder Peabody's, while a picture of a Puritan man and an Indian girl advertise "the oldest research operation in America." In keeping with the current theatrical hit, Harris Hall & Co. advertises a Street Car Named Desire to tie in its interest in Chicago Transit financing.

Chairman John W. Valentine and Editor John A. Straley have announced that sales of this year's Journal have passed all previous records, a total of more than 25,000 having been sold. A few additional copies, at $1 each, may be had from Mr. Norman Smith at Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Sterling National Bank & Trust Company of New York announces the election to its Board of Directors of H. Clayton Smith, partner of the real estate firm of Tankoos, Smith & Co., and George



George C. Meyer, Jr. H. Clayton Smith

C. Meyer, Jr., Secretary and a director of Cord Meyer Development. Both men were directors of the Boulevard Bank of Forest Hills, L. I., the business of which as noted in our issue of June 3, page 2434 was recently acquired by Sterling National Bank and is now its Boulevard Office. Mr. Smith had been a director of Boulevard Bank since it was founded in 1929. He also is Vice-President and a director of Estate of Bradish Johnson, Inc. and is a member of the Real Estate Boards of New York and Long Island. Mr. Meyer, a grandson of the late Cord Meyer, founder and pioneer developer of Forest Hills, is Secretary and a director of Dick-Meyer Corp. and a Trustee of Ridgewood Savings Bank.

The Boulevard Bank began functioning as the Boulevard Office of Sterling National on June 1. The arrangement gives Sterling four offices in Greater New York, of which two are located in Queens. The main office of the bank is at Broadway and 39th Street, New York, and an office is also maintained at 42nd Street and Lexington Avenue. The entire staff of the former Boulevard Bank is retained by Sterling National Bank. Peter Schwoebel and Harry L. Durland, formerly officers of Boulevard Bank, have been elected officers of Sterling and will remain in charge of the Boulevard Office.

Frank A. Klingsmith, and Edmund F. Ebert were elected Vice-Presidents of **Bankers Trust Company of New York** and Charles F. Salkeld was named an Assistant Vice-President, it was announced on June 2 by S. Sloan Colt, President. Mr. Klingsmith, who was an Assistant Vice-President, became associated with the Bankers Trust Company in 1907. He will continue his present duties in the metropolitan division. Mr. Ebert, who previously held the title of Assistant Vice-President, has been a member of the Banking Department staff for the past 20 years, and will assume direction of the Bank's business in the southwestern area. Mr. Salkeld has been with the bank for 33 years. He was made an Assistant Secretary in 1930 and Assistant Treasurer in 1941. He will continue in his present position in the Park Avenue Office.

* * *

George E. Roberts, former Vice-President and Economic Adviser of **The National City Bank of New York** died on June 6 at his home in Larchmont, N. Y., following a lingering illness. Mr. Roberts was in his 91st year.

In 1898, he was appointed Director of the U. S. Mint by President William McKinley; later he was reappointed by President Theodore Roosevelt but resigned in 1907 to become President of the **Commercial National Bank of Chicago.** In 1910 when the Commercial National and Continental National Banks merged he was reappointed to the Mint Directorship by President William Howard Taft resigning four years later on Nov. 16, 1914, to join The National City Bank of New York, as Assistant to the President. In 1919 he was appointed Vice-President, a position which he held until 1932 when he became Economic Adviser. He retired from the bank Dec. 31, 1940.

Mr. Roberts has a sobriquet by which he is perhaps best known to long-time associates and that is "Father of the National City Economic Letter" which he edited for nearly 25 years. During this period the National City Letter became the most widely read publication of its kind in the United States, if not in the world, with a circulation today of 150,000.

Surviving besides his widow, Georgena Kirkup Roberts, are his sons George Bassett Roberts, Vice-President of The National City Bank of New York, Henry Allison Roberts, Assistant Cashier of National City Bank; a daughter, Amy Roberts Springett and five grandchildren.

* * *

The Corn Exchange Bank Trust Company, 13 William Street, New York filed an application on June 2, with the New York State Banking Department for permission to open and maintain a branch office at 6629-33 Bay Parkway, Brooklyn, N. Y.

* * *

John J. Clooney, formerly Assistant Secretary, and Carl A. Dengel, formerly Assistant Trust Officers, have been made trust officers of the Fiduciary Trust Co. of New York.

* * *

The New York State Banking Department announced on June 4 its approval to a certificate of increase of capital stock of **Macy's Bank,** 34th Street and Broadway, New York, from $375,000, consisting of 3,750 shares of $100 par each, to $400,000, consisting of 4,000 shares $100 par each.

An application of Macy's Bank for permission to open branches at 1007-1009 Flatbush Avenue and 2145 Tilden Avenue, Brooklyn also was filed with the New York State Banking Department.

* * *

Empire City Savings Bank of New York plans to increase to 2% the dividend rate on amounts of $300 or more which have been on deposit for one or more consecutive years, if its earnings continue at currently satisfactory levels, Charles Diehl, President, announced on June 1. The increased dividend rate, which is expected to be paid on balances maintained after July 1, 1948, would it is stated make Empire City the first Manhattan savings bank to announce plans for resumption of a 2% dividend on savings deposits. The 2% rate is the maximum now permitted for banks in New York State. The bank is at present paying 1½%, a rate which is expected to continue on all accounts of $50 and over, which do not meet the requirements for the higher dividend. After July 1, the bank will also change its dividend payment dates to November 1 and May 1 instead of January 1 and July 1 as at present. The proposed increase in dividend rate on deposits of $300 or more would take place on November 1, next. Empire City Savings Bank, incorporated in 1889, has offices at Two Park Avenue, at 33rd Street, and at 231 West 125th Street.

* * *

S. Sanford Model has been elected Assistant Vice-President of **The National Bronx Bank of New York.** Mr. Model, who will be Coordinator of New Business Activities and Public Relations Officer, was for many years Advertising and Promotion Director, Credit Manager and Business Editor of the Bronx "Home News"; also a stockholder and Director.

S. Sanford Model

He is an overseas veteran of World War I, and subsequently served as American Executive Secretary and Financial Officer of the Inter-Allied Danube Commission of the Peace Conference, in which and other semi-diplomatic positions he traveled in 14 European countries.

* * *

A license to the **Prague Credit Bank of Prague, Czechoslovakia** to maintain an agency at 67-69 William Street, was surrendered on May 20, according to advices made available on May 28 by the New York State Banking Department, which in its weekly bulletin added that:

"This license surrendered in connection with merger of Prague Credit Bank into **Zivnostenska Banka National Corporation.** New license issued to Zivnostenska Banka National Corporation on May 18, 1948 to maintain an agency at the same location."

* * *

Terence P. Smith has been elected Vice-President of the **Brevoort Savings Bank of Brooklyn, N. Y.,** it has been announced by Richard A. Brennan, President. Mr. Smith has been with the bank since 1936.

* * *

The New York State Department of Banking on June 4, announced that on May 28 it had authorized the **County Trust Co.,** 169 Main Street, White Plains, to change the location of its branch office from the Mount Vernon station of the New York Central Railroad to 1 South West Street and 144 Mount Vernon Avenue, Mount Vernon.

* * *

Addison W. Sammis, President of the **Bank of Huntington and Trust Company** since 1934, died on June 5 at his home in Huntington, L. I., in his 73rd year.

Born in Huntington, a member of an old Long Island family, he was graduated from Huntington High School and began working for the bank at the age of 18.

He was a former President of the Suffolk County Bankers Association.

Surviving are his widow, Mrs. Kate S. Sammis, a son, Bertram W. Sammis, and a daughter, Mrs. Frederic J. Albert Jr.

* * *

Effective May 29 the **Ebenezer State Bank of Ebenezer, N. Y.,** was merged into the **Manufacturers & Traders Trust Company of Buffalo,** under the title and charter of the latter institution. In connection with the merger a branch was established at Ebenezer. The foregoing announcement was made by the Board of Governor of the Federal Reserve System on May 29. An item regarding the proposed merger appeared in our issue of May 6, page 2001.

* * *

Chester J. Smith, Vice-President of the **Union Trust Co. of Rochester, N. Y.,** in charge of the Merchants East Ave. office, this week is celebrating his 45 year as a banker. Said the Rochester "Times Union" of June 3, which added:

Mr. Smith started to work for the old Traders National Bank in 1903 as a messenger and in 1914 became Assistant Cashier. He held that position until 1924 when he was made Cashier of the National Bank of Rochester. In 1928 that bank was consolidated with the Union Trust. He was named a Vice-President in 1929.

* * *

The Howard Savings Institution of Newark, N. J., on June 1 enlarged its Board of Managers to 21, by adding six members, according to the Newark "Evening News," which added:

"Elected at the noon session at the bank were Frederick W. Birkenhauer, President of Wagner Baking Corp.; George A. Brakely, Vice-President and Treasurer of Princeton University; Dr. Allan R. Cullimore, President of Newark College of Engineering; Ralph R. Layte, President of Purolator Products, Inc.; Jesse B. McCullen, Vice President of N. J. Bell Telephone Co., and Bernard M. Shanley, senior partner of Young, Shanley, Foehl & Fisher, Newark law firm.

Howard Savings, said Waldron M. Ward, Chairman, increased its board to 21 according to the provisions of the new banking code which fixes the limit at that number."

(Continued on page 39)

Canadian Securities

By WILLIAM J. McKAY

The economic greatness of this country has been largely founded on its vast natural resources of iron, oil and coal, which still constitute the life-blood of industrial power and the roots of modern civilization. Canada, notwithstanding her present dependence on external sources for the bulk of her requirements of these essentials, has nevertheless already attained a notable stage of industrial development. It requires little imagination therefore to conceive the heights of industrial power that can be reached when the Dominion fully exploits its enormous untapped reserves of iron, oil and coal.

Canada hitherto mainly in view of inadequate labor strength and the convenience of sources of supply of these commodities south of the border has concentrated on the development of the readily accessible wealth of her forests, arable lands, and base and precious metal mines. Moreover the great industrial provinces of Ontario and Quebec being lavishly endowed by nature with almost unlimited reserves of hydro-electric power do not have to rely on coal or oil for motive-power.

This situation however is rapidly changing. On the one hand the depletion of U. S. reserves of iron and oil is beginning to cause serious concern, and on the other hand the world demand can no longer be satisfied on the basis of the present supply. The point has now been reached where plans for reconstruction and new development have to be curtailed for lack of adequate supply of these basic essentials. Canada also has now a further compelling reason to stimulate by every means in her power all efforts directed toward the exploitation of her vast virgin riches of iron, oil and coal. Within the scope of the Dominion's new policy of greater economic independence the curtailment of imports of these essentials can play an invaluable part. They now constitute a heavy drain on the Dominion's reserves of U. S. dollars, whereas if imports were replaced by exports of these items the effect on the Canadian exchange position would be revolutionary.

Before this objective can be attained there are some serious obstacles to be overcome. Unquestionably the greatest impediment to Canadian economic progress at the present time is the Dominion's population deficiency. Fortunately in this respect Canada has at last instituted a vigorous immigration policy. The rigid immigration laws have been drastically relaxed and what is more constructive the Federal Government is now taking active steps to assist the passage of would-be settlers. Notable in this connection is the conveyance by air of immigrants from the British Isles, the settlement on new farms of a group of Dutch agricultural workers, and the admittance of a large number of European displaced persons. Another vital prerequisite is the attraction of fresh capital especially from this country. Happily as far as this problem is concerned the spectacular oil discoveries at Leduc and the enormous Quebec-Labrador iron deposits alone have incited interest on this side of the border sufficient to suggest its early solution.

Thus the next and possibly greatest era of Canadian economic development is now in the process of materialization. Following some 50 years later the similar course taken by her great neighbor to the south, Canada's economic maturity will come appropriately at a period when this country is reaching a stage when external sources of supply and scope for external expansion are becoming increasingly important.

During the week there was greater activity in the external section of the bond market especially in provincial issues. The internals remained comparatively steady and were little affected by the fluctuations of the Canadian dollar in the free market. Free funds after a period of persistent strength weakened slightly under pressure of offerings in connection with the November Dominion bond redemptions. With the intensification of demand for tourist purposes the spot rate is likely to display further strength but the margins on future deliveries should widen as a result of the November offerings. Stocks throughout the list registered declines but the longer range opinion still remains optimistic with regard to the prospects of the continuance of a bull market, especially in the oil, base-metal and paper issues.

Present and Prospective Electric Utility Securities Markets

(Continued from first page)

ing. Triple A bonds were selling close to the level of Governments, and the differential for slightly weaker issues was historically relatively narrow until you got to the Baa classification.

High-grade public utility preferred stocks follow a generally similar pattern, reaching a peak in market price and a record low in yield in the early Summer of 1946 when, for a number of weeks, Moody's high-grade average stuck around a 3.40% basis with the medium grade average at 3.69, a differential of less than .30 basis points. The change toward higher yields started in the later months of 1946, and became particularly acute toward the end of 1947. The lowest prices and highest yields came in February, 1948, when the high-grade average was 4.07%, with the medium grade at 4.56, a differential of almost 50 basis points. Since that time there has been a considerable improvement in the preferred stock market and the same average, about the middle of May, was 3.90%, with the medium grade at 4.48, a differential of almost 60 basis points. As a matter of fact the medium grade average reached its high yield point in 1947 at 4.59.

Utility common stocks advanced sharply in 1945, as a successful outcome of the war became clearer and later in the year in anticipation of the repeal of the excess profits tax for the year 1946. A strong equity market continued until the Summer of 1946 when sharp declines occurred, accounted for in part, at least, by the pressure of new offerings as the need for equity capital by all types of industry became urgent. This trend toward lower prices reached a low point in February and March, 1948, under 32 for the Dow-Jones utility averages as compared with a high of almost 44 in the Spring of 1946. The present recovery has carried this average to almost 36.

The averages to which I have referred for all classes of utility securities, representing yields on seasoned outstanding issues, do not by any means reflect the prices of marketing new issues, particularly those of other than the very highest grade, after the turn came. New issues to be successfully distributed had to be offered at yields substantially higher than those represented by the averages of outstanding shares of comparable quality, and, in many cases, particularly preferred stocks, substantially higher than the yields of outstanding preferred issues of the same company.

Examples of Price Trends

Some examples, both in the case of bonds and preferred stocks, point this up:

In January of 1948 Southern California Edison Company sold at competitive bidding to underwriters 40 million 3⅛s, due 1973 (rating "AA"). The underwriters purchased them at 102.02, with the intention of re-offering them at 102⅝, which would represent a 2.975 yield. At that time the Southern California Edison 3's of 1965 were selling to yield 2.83%. Even before the formal offering the underwriters found a chilly reception and the offering price was reduced to 102.187, representing a 3% yield. At that price the bonds were promptly sold, although the underwriters lost money on the deal, after expenses. The current market has now moved up to 104⅞-5⅜, a yield of 2.82%, after an intermediate high of 105¼-105¾, a 2.80% yield.

In March, 45 million Columbia Gas & Electric 3¼s, due 1973 (rating "A") were offered at 101¼, to yield 3.18. At the time the Columbia 3⅛s, due 1971, were quoted 99½-100¼, to yield 3.11%. The new offering was slow and when syndicate restrictions were removed on April 6th, the bonds sold off and were quoted 100½-100¾. They continued down to a low on April 16th of 100⅛-⅜, a yield of 3.23%, but have since recovered to 100-101½, a yield of 3.16%.

Also in March, 40 million Ohio Power Company 3's due 1978, (rating "AA"), were offered at 100.99, to yield 2.95%. At the time the same company's 3's, due 1971, were quoted 102½-103¼, to yield 2.80%. These bonds proved sticky and the syndicate price restrictions remained in force until their expiration by limitation on May 1st, by which time the general improvement in the market had bailed them out, and they are now quoted 101⅜-101¾, to yield 2.91%.

In the preferred stock field, there can be given a number of illustrations:

In July, 1947, Florida Power & Light attempted to market 150,000 shares Preferred Stock by competitive bidding, but no bids were received and the offering was withdrawn. In September, 1947, 100,000 shares Florida Power & Light 4½% Preferred was offered as a negotiated deal by underwriters at par. The price looked attractive at the time and, during the month it was kept in syndicate with price restrictions maintained; almost four-fifths were sold. On October 30th the price restrictions were removed and there were 21,000 shares of stock remaining unsold. On the day when the price restrictions were removed, the stock traded as low as 93½ and subsequently sagged to 88. The current price is quoted 90-91.

A little later in September, 1947, 100,000 shares Tennessee Gas Transmission 4¼% Preferred was offered by underwriters in a negotiated deal at 103, to yield 4.13%. Immediately prior to the offering the outstanding issue of 4.10% Preferred Stock of the same company was selling at 105, to yield 3.90%. When price restrictions were removed, the new 4.25% Preferred dropped to 93¼, to yield 4.56%. The current market offering is about 97½, to yield 4.36.

On March 22, 1948, 50,000 shares West Penn Power 4.20% Preferred was offered at 101¼, representing a yield of 4.15%. Only about 50% of the stock was sold, and when price restrictions were removed on April 1st, the stock was quoted as low as 98½-98⅞. The current market is 101¾-102¼, to yield 4.11%.

A very recent issue is Oklahoma Gas & Electric Preferred. The company originally asked for competitive bids for 65,000 shares on March 30, but the date was postponed to April 5, and then cancelled. On April 8, these shares were offered as a negotiated deal, and with a 5¼% dividend rate, at 104, to yield 5.05%. While it sold very slowly and remained in syndicate until April 20th, it is now currently quoted at a premium over the original offering price, 104¾-105¼.

Must Build Up Sound Capital Structure

Certain experiences of the past may be relied upon as some guide for the future. If electric utility companies are going to finance to the best advantage their new capital requirements, they must make every effort to maintain or build up sound capital structures. The cost of money has a direct relationship to this factor. It can also be demonstrated that the harder the going in the money market, the more difficulty will be experienced by the companies with the weaker capital structures.

Securities and Exchange Commissioner McEntire, in an address before the National Association of Railroad and Utility Commissioners, in the Summer of 1947, developed some interesting statistics based upon a SEC study "for a group of 70 companies, which constitutes nearly all the electric utilities whose common stocks are traded in sufficient quantity to provide a reliable market." He reported:

"At the end of 1946 these companies averaged about 50% debt, 17% preferred stock, and 33% common stock and surplus. Only nine of these companies carried as much as 60 per cent debt; five of these nine had no preferred stock outstanding, so that common equity accounted for the remainder of the capitalization. Only two of these 70 companies had an equity of less than 20% at the end of the last year and only nine others fell under 25% in this respect. At the close of 1935 the books of nearly a third of these 70 companies showed less than 25% equity. This ratio was per books, and, as we know, reflected much 'water' now eliminated by regulatory action.

"In addition, the ratios, per the books of 1935, were also overstated because of inadequate depreciation reserves. In 1935 an 8.75% depreciation reserve was about average and a reserve of as much as 15% was rather exceptional. Today the average company in our 70-company sample has depreciation reserves amounting to 22.5% and the reserves of only seven companies fall below even a 15% level."

In the same address Commissioner McEntire satisfactorily demonstrates that the common stocks of companies having the weaker capital ratios, sell at a lower price earnings ratio and usually at a higher yield than the stocks of companies more conservatively capitalized. The same thing is true of preferred stock yields. Of course the price earnings ratios of particular common stocks may be distorted by an unusually high or unusually low percentage of earnings paid out in dividends, as the yield factor is probably of more importance with relation to current market prices than the times earnings factor.

Commissioner McEntire divided the 70 companies referred to, into three groups. The companies in Group A constituted the upper third and had a median debt ratio of 37.5%, very little preferred stock, and common equity including surplus of 58.7%. At June 30, 1947, the common stocks of these companies sold at an average of 16.4 times earnings and 20.5 times dividends. Group B showed only slightly higher debt ratios, the median being 40.8%, but due to greater use of preferred stock, the average common equity was 40.1%. Earnings of this group were valued at an average of 13.1 times earnings at June 30, 1947, and sold at 17.5 times dividends. Group C had a larger debt burden the median being 54.2%. Preferred stock was less prominent than in Group B, and common equity amounted, on the average, to 34.2% of the capitalization. The average Group C equity was priced at June 30, 1947 at 9 times earnings and 15.4 times dividends.

The names of the 70 companies used by Commissioner McEntire have not been disclosed, but their average market price probably corresponds pretty closely to those of the Dow-Jones Public Utility Common Stock Averages, to which I have already referred.

Commissioner McEntire further demonstrated that all companies in the sample having Triple A bonds, fell in Group A; Group B companies, to the extent rated, were of Double A credits, while A and Baa credits uniformly fell in Group C. At June 30, 1947, Moody's Triple A sold on a 2.53% average yield basis; Double A on a 2.60% basis; A on a 2.72% basis and Baa at 3.05%. At the year end these were 2.88, 2.98, 3.08 and 3.29 respectively. The recent modest improvement in the bond market has lowered these yields, as of May 13, to 2.74, 2.85, 2.93 and 3.27 respectively. You will note the least improvement in the weaker Baa rating.

From the foregoing it is obvious that it is enlightened self-interest for any utility company to keep its structure, as nearly as possible, in sound balance so that it may realize a favorable investors' appraisal of its securities, whether they be bonds, preferred stocks common stocks or securities dressed up with various wrinkles in an effort to make them more marketable at a better price.

You are more familiar than any one else with the huge sums of money which must be obtained from investors over the near-term future in addition to those generated within the industry itself through depreciation reserve accruals, debt discount and other reserves and retained earnings. In this competition for the investor's dollar, there is the telephone industry, the natural gas industry and commercial business in general.

New Capital Requirements

The United States Department of Commerce has recently made a study entitled "Business Financing in the Postwar Period," in which it is pointed out that "capital requirements amounting to $50 billion for non-financial corporations in 1946 and 1947 inevitably led to a growing pressure of demand upon the available sources of funds for business investment —focusing attention for the first time in many years on possible deficiencies in the supply of capital, particularly equity capital.' During 1946 a very substantial part of these requirements was available in the form of the excess liquidity built up during the war years, but a good deal of this had disappeared in 1947, as is shown by the very substantial increase in security issues in that year. Over two-thirds of the amount of net security issues during 1947 took the form of bonds the remainder was distributed between common and preferred stock with the former much the more important of the two. The volume of net equity issues in 1947, i.e. both common and preferred, was about the same as in 1946, but there was a much larger rise in bonded indebtedness. Life insurance companies absorbed nearly four-fifths of the increase in debt securities during 1946 and 1947, while individuals bought stocks and sold bonds on balance in both 1946 and 1947.

According to the Department of Commerce survey, approximately half of the increase in security issues during 1947 was attributable to the industrial and miscellaneous industries, primarily manufacturing, while the other half is almost evenly divided between the telephone and electric and gas utilities. Manufacturing corporations, as a whole showed less dependence on outside sources of funds in 1947 than corporations generally.

The estimated $4 billion of new new issues raised through the capital markets in 1947 by corporations other than investment companies, seems to be above the levels of the late 1920's and probably was the highest in history. Corporate bank loans increased $3 billion in 1947, nearly as high as in 1946, and was equaled previously only in 1919-1920 following the first World War.

For any one interested in a comparison of bond and stock yields and other data having relation to various types of securities going back to 1919, I commend this survey. I will conclude my reference to the survey by quoting the last paragraph thereof, which paves the way for some of my later remarks:

"Second, in view of the dangers in debt as compared with equity financing, it is generally agreed that every effort should be made to encourage the latter as part of any long-run financial program. The increased flow of public's saving into insurance, the greater role played by the government—reflecting in part a changed world situation, and the related changes in the rates and structure of taxes, all help to intensify a problem of long standing, that of raising risk capital. No workable solution to this problem is likely to be reached which does not recognize these and other institutional changes in our economy over the past few decades."

Obviously the form the prospective new money offerings of particular companies will take, whether senior or equity financing, will depend on the situation within the particular company.

Convertible Debentures and Preferred Stocks

The unsatisfactory condition of the common stock market has led to the use both of debentures and of preferred stock convertible into common stock as an alternative to the direct marketing of their common stocks. This has worked well over a period of years for both the American Telephone & Telegraph and Commonwealth Edison. The principal disadvantage is one of mechanics involving the use of bonds in one hundred dollar pieces, and the problem of the small stockholder who usually receives only fractional rights to subscribe and to whom the subscription itself is probably hardly suited with its low interest rates.

Two recent instances of the use of convertible debentures were the $16,677,100 Consolidated Gas of Baltimore 15-year 2½'s, offered in April, 1947, and the 11,753,800 Virginia Electric & Power 15-year 3⅛'s offered in March of this year. In each case debentures were offered to stockholders at par, and are now selling for substantial premiums: Baltimore at 105½-106¼, and Virginia Electric & Power quoted at 109¼-9¾. The conversion in the Virginia case, was right on the market at the time of the offering. The Baltimore conversion was somewhat under the market and based on a sliding scale by which the first conversions were at a more attrative rate. Also, the conversion privilege in the Baltimore case did not operate until something more than a year from the date of offering, thereby protecting the outstanding common against immediate dilution before the money raised through the debentures might have been put to work and begun to produce earnings.

Two other instances of the use of convertible debentures during the summer of 1947, were those of Public Service Company of Colorado and Public Service of Inidiana, both of which were convertible slightly below the market for the common at the date of offering, and both of which are now selling at premiums, reflecting the value of the conversion privilege as related to the current market for the common stock.

The most recent offering of convertible debentures to common stockholders is that of $57,382,600 Consolidated Edison Company of New York 3's. This offering to stockholders was underwritten on the same basis as that of Public Service Company of Colorado. The bidding took place on May 18 and only one bid, in the sum of $1,000 was received for the privilege of underwriting the offering and selling any of the convertible debentures not subscribed for by stockholders, sharing any profit with the company over the original offering price on a slid-

ing scale. The debentures are convertible into Consolidated Edison common stock at the rate of $25 in debentures for each common share. At the time of the offering the common stock was quoted 24¼. The possibility of profit for the underwriters depends upon (1) that the offering is successful, and (2) that some stockholders, for one reason or another, do not exercise their rights. The rights do not expire until June 8. In view of the premium of over 6% immediately bid for the debentures, the risk involved seems slight but, on the other hand, the amount of stock which the underwriters may get will likely be nominal.

Several companies have offered recent issues of preferred stocks convertible into common. In January, Northern Indiana Public Service Company offered 272,694 shares 4½% preferred stock (par $20) to its common stockholders at 18. The common was then quoted 15½-16⅛, and the conversion price was 20. Common stockholders of Northern Indiana subscribed for 16,685 shares. During the rights period, the underwriters publicly offered about 70% of the shares, or 190,893 shares, at the offering price to stockholders of 18 less 85 cents obtained through exercise of warrants acquired by them, leaving a balance of 65,116 shares, which were taken up by the underwriters at the expiration of the subscription period and placed by them, also at 18, without organization of a selling group. The preferred is now quoted fractionally above the offering price, to yield about 4.90%.

Two very recent convertible preferred issues are the 800,000 shares Southern California Edison 4.56% (par $25), which was offered to the public at $26.25 per share, and convertible into common at $28.50 per share: At the time of the offering the market for the common was quoted 27-27½. The offering was successful and the preferred stock was recently quoted at a moderate premium over the original offering price.

On the same day, South Carolina Electric & Gas Company offered to its common stockholders 80,858 shares 5½% preferred at $50 a share. Each share of preferred was convertible into 7 shares of common, representing a price of approximately $7.14 per share. At the time of the offering the common was quoted fractionally under this price. The rights period does not expire until May 25, and at the time of preparation of this paper the result of the offering was not available.

Preferred Stock Sinking Funds

To assist in marketing preferred stocks, some utility companies have recently included provisions for sinking or purchase funds.

For many years some industrial preferred stocks, particularly in the case of smaller and less known companies, have had various types of sinking or purchase funds. These have served a dual purpose: (1) to create some market for the securities themselves, and (2) to gradually retire the issue. During the low-yield period in 1946, a number of large institutional purchasers, recognizing the unlikelihood of the permanent maintenance of such preferred stock yields, many of which were as low as 3½% began to insist on sinking funds, particularly in issues privately placed or where the market was not likely to be sufficiently broad to furnish a ready means of selling. Some examples of low dividend industrial preferreds having sinking funds brought out during this period are:

H. J. Heinze Co.	3.65%
Borg-Warner Corp.	3½%
Jewel Tea Co.	3¾%
Scovill Mfg. Co.	3.65%

Late in 1947, to meet this position of some of these large institutional purchasers, some electric utility companies adopted sinking fund or purchase provisions. I believe the first publicly offered preferred of an electric utility company, with a sinking fund, was that of 75,000 shares Appalachian Power 4.50% preferred, which was offered on Dec. 4, 1947. This sinking fund is 2% of the maximum shares outstanding and begins in 1948.

Almost immediately thereafter, on Dec. 10, 1947, 800,000 shares ($25 par)) Southern California Edison Company 4.88% preferred was offered. Here the preferred stock contract did not provide for a sinking fund but the directors, by resolution, stated that they would retire 16,000 shares (2%) annually beginning in 1949, provided they could purchase it at not exceeding the original offering price of 26.25. Three other electric utility preferred issues recently offered had a sinking fund provision: Northern Indiana Public Service 4½% Convertible Preferred (2%), Indianapolis Power & Light 5% Preferred (2½%) and Florida Power Corporation 4.90 Preferred (3%).

In the new issue of Consumers Power Preferred there is a purchase fund, the effect of which will be to require the company to endeavor to purchase annually, commencing in 1949, at prices not exceeding the initial public offering price thereof, not less than 2% of the maximum number of shares at any time issued and outstanding. Most of the natural gas company preferred stocks do have sinking fund provisions, but there is definite logic in providing a sinking fund on all senior issues of natural gas companies.

In my opinion, the inclusion of a sinking fund (or to a lesser degree a contingent purchase fund) is an expensive procedure and should be adopted only as a last resort. As far as can be foreseen, an electric distributing public utility is a permanent enterprise which will require expansion as long as the population of this country continues to grow. Therefore, to obligate yourself to retiring what should be permanent capital creates an obligation, if you have the earnings, just as real as any other debt but without receiving either the lower interest rate or the important Federal tax advantage realized from interest paid. I think, in the long run, a public utility company will be better advised to pay, if necessary, somewhat higher dividends without a sinking fund because, after all, the rate of return in a regulated industry has relation to the cost of money.

As an illustration of the comparative expense of a preferred stock bearing a 4½% dividend rate, with a 2% sinking fund, and a 25-year debenture bearing a 3¼% coupon, also having a 2% sinking fund: on the basis of a $7,500,000 issue in both cases, the operation of the sinking fund would retire half the issue, and net savings in service charges on the debentures after giving consideration to the tax savings at present rates, over this period, would amount to approximately $3,541,000 or 47.2% of the issue. As an alternative, if the annual savings resulting from the lower servicing cost of the debentures were applied to the further reduction of the debt, all but $93,000 principal amount of debentures would be retired in 22 years, while at the same date there would be remaining approximately $4,350,000 principal amount (58%) of the 4½% preferred issue.

Assumptions As to Business and Fiscal Policy

Any "Look to the Future" must include certain assumptions as to business activity and, indeed, as to government fiscal policy, both of which are vital factors in any attempt at an appraisal of tomorrow's money market.

A recent bulletin published by the Philadelphia Federal Reserve Bank was entitled: "1947: Year of the Slump That Never Came." I think recent events make any important recession in business activity during the year 1948 more unlikely than some of our economists and forecasters thought probable, until recently. The adoption of the European Relief Program on a non-partisan basis, the corollary rearmament program and the passage of the tax relief measure over the President's veto, by overwhelming majorities, are all, in my opinion, constructive steps forward.

The adoption of these measures should strengthen our own confidence in the future and certainly reconstruction of Western Europe and our own preparedness for war, if need be, is the best way to minimize the likelihood of war. True enough, the added foods and goods required for the European Program and for our own rearmament, while they do not represent an important percentage of our total production, mean some increase in inflationary pressures.

Now one of the important factors in making any assumptions regarding future security markets is how wisely the Treasury and the Federal Reserve System handle the national fiscal policy.

One school of thought has more or less consistently advocated monetary and/or price controls to cure inflation. In my opinion there is no magic formula to halt inflation, and I believe the only real answer lies in greater enterprise and in greater production. If this is the right answer, then the measures which should be encouraged by government, and by private enterprise, are those which will create a healthy atmosphere for business and stimulate greater production, so as to more nearly bring into balance the supply of goods with high demand, which is a natural corollary of full employment at high wages.

Great monetary inflation during the war was inevitable. Control of the supply of money is now in the hands of our fiscal and monetary authorities, not the commercial banks of the country. The balance between inflation and deflation will depend upon the wisdom with which the authorities exercise these controls. This caution and wisdom was not exercised in 1920, 1929 and 1937, with the result that deflation was precipitated and, once started, was hard to stop, as has been proved in those disastrous episodes in our financial history. I am firmly convinced that the Federal Reserve System should continue to follow its present policy of modest action to restrain a further expansion of bank credit, but for it to take aggressive action to reduce the existing supply of available funds, might well produce a disastrous check upon the expansion of business enterprise so necessary to increase production.

To bring about deflation by general credit restriction, it must be such as to create unemployment and an indiscriminate reduction in consumers' disposable income before it could be effective. The food price situation is one of our most serious problems and continued high or rising prices for food makes much more likely another round of wage increases, and so on. But we cannot expect a reduction in the agregate demand for food (or other consumer goods) by following a policy of allowing government security prices to seek their own level, or by forcing security prices down by Federal Reserve sales to contract credit, unless the policy were carried to a point that substantially reduced production and employment, and, therefore consumers' disposable income.

Under present conditions, a general railroad strike would have been disastrous to the accomplishment of the necessary greater production to balance the attempted inflationary pressures. A coal strike could have the same result, although in a lesser degree. It is encouraging that the steel companies have held the line on wages and made some reductions in prices, although these latter do not importantly reflect themselves in the current cost of living. Except to correct inequalities, I think we must have the courage to hold the line on wages and gradually make some reductions as may be justified by a decrease in the cost of living.

If, therefore, this equilibrium is not disturbed, we should look for a continued period of high business activity and full employment. While some firming in short-term money rates may be anticipated, as indicated by the recent testimony of Allan Sproul President of The Federal Reserve Bank of New York, before the Joint House-Senate Economic Committee, I do not think this need disturb considerably basic long-term money rates around present levels. As pointed out by Mr. Sproul, "Prior to 1930 . . . short-term interest rates were more commonly above long-term rates than the reverse. . . . In theory at least so long as we are firm in our support of the 2½% rate for long-term government bonds we have made that a demand rate and there is no reason why rates on shorter-term obligations could not approach this figure. The facts as distinguished from the theory of course might suggest or require that we stop at a lower figure."

Question of Supply of Securities

One other factor might disturb rates and the prices of securities and that is the dislocation of the law of supply and demand by industry pushing out securities faster than the market can absorb them. If industry exercises self-restraint in its construction programs and does not flood the market with securities destined to produce cash way beyond current requirements, then I think we may have an orderly market and a reasonable chance for everybody to finance at reasonable cost as he goes along. If, on the other hand, each fellow tries to beat the other to it, then you may produce a chaotic situation in which buyers will hold back for even greater concessions and a disordered market will result.

My greatest concern is in the ability of companies to market common stocks to keep the capitalization ratios in good balance. Of the enormous amounts of new capital raised in the first quarter of 1948, approximately $2½ billion, only about 10% represented the proceeds of common stock financing. Investors are still conscious of the large blocks of common stocks to come out of the enforced divestment of public utility holding company portfolios as well as of the requirements of the operating companies themselves for new capital.

On new offerings of common stock, the yield has had to be, and will probably continue to have to be, exceedingly attractive. The spread between the yields on senior securities and those of common stocks are now probably much wider than they have been at most past periods. Indeed, at times the yields on common stocks have been lower than those on many fixed return securities, reflecting the hoped-for future growth factor.

The narrowness of the market for large issues of common stocks, over the recent past, can be well understood when you consider their relative unattractiveness to large investors by reason of the high surtax rates, the capital gains taxes and other factors. The recent revision of the tax law may go some little way to improve this situation, but to broaden and make more active the common stock market there should be some elimination of the double taxation, first paid by the corporation on earnings and then by the individual on his dividends. There should also be at least a modification of the capital gains tax so that the purchaser is not frozen in by the amount of the capital gains tax on successful investments without any justification for losses. Certainly at present deflated prices, there is no good reason for a 75% margin requirement. Of course I agree we should not return to shoe-string speculation but why an individual can borrow only 25% on the most marketable asset in the world, listed securities, when on most other forms of wealth, not nearly so liquid, he can borrow practically whatever the lender is willing to let him have, I cannot understand.

Schmidt Wins Phila. Bond Club Golf Match

PHILADELPHIA, PA.—Walter Schmidt of Schmidt, Poole & Co. took top honors in the golf tournament held in conjunction with the 23rd Annual Field Day of the Bond Club of Philadelphia held at the Philadelphia Country Club.

Walter A. Schmidt

Mr. Schmidt played with a seven handicap and captured the Low Gross Award with a 76. Low Net was won by Willard Boothby of E. H. Robbins & Sons, Inc. The popular "Kicker's Handicap" was won by K. J. Huttlinger of F. P. Ristine & Co.

H. K. Lloyd of Drexel & Co. and Laurence A. Brown of Jenks, Kirkland & Co. captured the tennis honors in the round-robin finals with Norbert W. Marcus and William Fleming, both of Smith, Barney & Co., winning second place.

A 1948 Dodge Automobile was awarded jointly to William J. Wright of Blyth & Co., and John H. Blye of Wurts, Dulles & Co.

A television set was awarded to R. Victor Mosley of Stroud & Co., and a Playboy Automobile donated by the courtesy of Tellier & Co. of New York to Francis Kemble of W. E. Hutton & Co.

These activities were followed by an Aquacade at the Club pool featuring a diving exhibition and a water ballet by the lovely Aquadelphians. The Annual Dinner featuring a variety show completed one of the most successful outings in the Club's history.

Phila. Secs. Ass'n Field Day Committee

PHILADELPHIA, PA. — Committees for the Annual Field Day of the Philadelphia Securities Association, to be held Friday, June 18, at the Llanerch Country Club, Llanerch, Pa., are announced by Dudley R. Atherton of F. S. Moseley & Co., President of the Association, as follows:

General Chairman — Frank L. Ford, Jr., E. W. Clark & Co.

Co-Chairman—D. R. Atherton, F. S. Moseley & Co.

Reception Committee—Wm. A. Lacock, E. W. Clark & Co.; Walter Hongler, Brooke, Stokes & Co.; John F. Macomber, First Boston Corp.

Golf—John D. Foster, Real Estate Trust.

Entertainment—Lew W. Fisher, Sheridan, Bogan, Paul & Co.

Prizes—Russell W. Ergood, Jr., Stroud & Co.; Wm. F. Crowell, Girard Trust Co.

Publicity—E. Howard York, 3rd, Doremus & Co.

The Electric Industry in 1948

(Continued from first page)

ments and its committees. I commend to your attention the many engineering discussions and papers which have been made available to the industry through the Institute and by its publications. They give to all the benefit of the special knowledge, investigations and advanced thinking of the various utilities—constitute a forum for discussion and the exchange of ideas so necessary if we are to keep abreast of our rapidly advancing art.

Industry problems having to do with accounting, rates, personnel, insurance, material supply, transportation equipment, operating methods, design, power sales and the many other matters which concern us have had careful consideration by the Committees of the Institute. Committee members have been liberal with their time and skill in making the work they have undertaken successful and fruitful, and I know you will all join with me in expressing our gratitude for their efforts.

As you know, the Institute conducts joint research and committee work with other trade associations. Substantial and important progress has been made by these joint undertakings, especially in the heating field, and in standardization.

The Institute is looking ahead towards the day when we must once again sell electric service. It is sponsoring sales training courses, a planned lighting program and a national sales program on electric kitchens. Other steps are in the making.

You will receive reports from time to time as to the findings and recommendations of these various committees. You will hear of some of the results of their activities during the talks which will be made before you during this convention. So much is being done by these varied groups of forward looking and devoted men who are the backbone of the Institute that it is impossible within the scope of a single address such as this to begin to cover it all. In the narrow sense, the electric companies are the direct beneficiary of their activities, but our customers—the housewife enjoying the efficient service of an electric range, the manufacturer increasing plant production with infra-red or electric furnaces, and the farmer who produces more with the aid of his electrical hired hands—these are the ultimate beneficiaries of the interchanges of information at the committee conference tables and the studies, the reports and handbooks which the committees produce.

Load and Capacity Situation

The key to the power supply of the nation is the business-managed, taxpaying utilities of the country. Last year they generated 81.4% of the power, and made 86% of the sales to ultimate consumers, exclusive of the energy produced by industrial plants not contributing to the public supply. Their responsibility therefore is great.

The load and capacity situation has been, and promises to be, of great concern to all of us. The demand for electric power continues to rise month by month. New and expanded uses of electricity are developing, labor costs of industry and in the home are placing a constantly increasing premium on greater applications of electric power. Last year's production of electrical appliances is illuminating on this point. It was three times the prewar production in volume. Thus, despite the fact that additions of new generating capacity this year will be much larger by far than in any previous year in the history of our industry, the growth of power demand in 1948 is expected to nearly absorb the new capacity added during the year. It now appears that for the country as a whole the margin of reserve in December, 1948, will be only slightly larger than it was last year. The power supply this year will be tight, but adequate. The consensus of opinion seems to be that it will be three more years before normal reserves can be restored.

Obviously, we cannot add generation faster than the manufacturers can make it. In the early part of World War II the Production Board diverted to military use 2,200,000 kilowatts of steam generating capacity ordered for utility use. We have not yet replaced the shortage of reserve capacity caused thereby. During the conflict we put in every kilowatt we were allowed to have. We swamped the manufacturers with postwar orders, at a time when they were struggling with reconversion and shortages of material and labor. Although deliveries are very slow, they are steadily increasing in volume. The utility industry expects to install about 4,600,000 kilowatts of new generating capacity this year. Only once, in 1924, when 3,800,000 kilowatts were installed, did the rate approach anywhere near this year's figure. Construction for the first quarter of 1948 was 115,000 kilowatts ahead of the schedule for that quarter.

Steam turbine manufacturers are booked to capacity three years ahead. Their capacity is being increased to 5½ million kilowatts per annum for central stations and another one-half million kilowatts for isolated industrial plants. From V-J Day to the end of 1951, about 23,000,000 kilowatts of generating capacity will have been installed, of which amount 18½ million kilowatts will have been put into service by the utility companies and about 4½ million by various governmental agencies. Even at this tremendous rate of manufacture, however, it will be 1951, barring any interruptions, before the companies' estimates indicate a suitable reserve.

Other equipment and materials continue in short supply, but the situation is improving steadily. The performance of the manufacturers of power supply equipment, in my opinion, is beyond any comparable achievement in peacetime industrial history and they are entitled to our hearty commendation. I take this occasion to pay tribute to this, their latest of many achievements.

The Growing Demand for Electric Power

I want to give a few figures to convey a little more clearly the growth picture for electric service. We are continuing to add new customers at a record pace. The 1946 record broke the previously high 1924 record for new customers added. The 1947 addition of customers topped the 1946 record, and the first quarter of 1948 has run ahead of the first quarter of last year. We are, however, approaching saturation so far as existing establishments are concerned. 93% of occupied dwellings are now served, and service is available to 97%. Construction programs under way will carry this latter figure close to 100% in another three to four years so that further increase in customers must depend entirely on population growth and new housing.

For the past several months industrial use of electric power has remained about constant. This indicates that the available supplies of important materials and labor and economic considerations have for the present at least leveled off the general industrial expansion. For the longer range, however, the prospects are for much greater electrification of industry and continued expansion of electricity consumption. Constantly increasing wage levels calls for greater and greater use of electric labor saving devices. New processes requiring electric power are being developed.

In the farm and rural classes of service the rapid expansion increases. The farm customer is expected to double his present use in a very few years. Residential consumption, averaging now about 1,500 kilowatt-hours per customer per annum, is also expected to continue rapid growth. Household help is prohibitive in cost. New concepts of comfort and convenience call for more and more electricity.

Electric power and energy is the greatest bargain offered today in these United States. We must keep it so.

Coordinated Operation

It is gratifying to observe the smooth running and well established practice of interchanging power between companies of the same general region wherever significant advantage in the public service can be gained. Many parts of the country are served by so-called power pools, operating on a basis which materially reduces the amount of reserve capacity formerly considered desirable.

In the interest of national defense and of economy, it is important that restrictive laws and regulations which in effect prevent or limit useful power interchanges should be eliminated, so as to permit the utilities to further improve their interconnections both with other utilities and with industrial plants and otherwise prepare to integrate and interchange just as they did during the last war, but on a larger and more effective scale.

Question of Rearmament

The troubled state of world conditions and this country's adopted rearmament program have raised a question in our own ranks and among Washington authorities as to the adequacy of electric power for carrying out the present program and as to its adequacy in case there should arise a state of war.

There will be adequate power to carry out the present rearmament program, although the high civilian consumption of aluminum plus the increased military demand may possibly require some adjustments in that regard. In case of war the nation would again be confronted with a conversion from civilian to wartime production. We would again have around-the-clock operation of factories, which consumes a much greater volume of electricity without materially increasing the demand. The question of shortages would soon boil down to relative consideration—shortage of manpower, shortage of materials, shortage of transportation.

If I am correctly advised, governmental authorities at present view the outlook for electric power generally as more favorable than the outlook for these other basic elements of wartime supply. In other words, electric power generally is not regarded as the critical or limiting factor.

A summary of the capacity situation may be reduced to the following points:

The United States has an adequate power supply at present, although reserve margins are narrow.

There is a remarkably high degree of system coordination to get the most out of all generating facilities within different areas, and between areas.

Everything is being done that can practically be done to add new capacity.

The turbine factories are loaded to capacity.

Because of this fact, the construction of additional Federal power plants cannot augment the supply of power because then it will be a case of government or private investment rather than government *and* private investment.

The power situation is not critical now, and it will improve rapidly as the new equipment on order is delivered.

Financing

Nearly every one of you has done some financing recently. I am sure that all of you are concerned about how to obtain the $6 billion that will be needed for the expansion program that the business-managed utilities have under way, and which is being carried out during an inflationary period.

$6 billion if 40% of the plant account of the industry at the end of 1947. It is $42 for every man, woman and child in the country. Raising such a sum is a great task for an industry that stands on its own feet, without benefit of tax exemption or government subsidy.

The ability of the industry to finance the cash requirements of its construction program over past years is well known. During the period 1937-1946 the greater part of construction was carried on by cash generated from earnings. Financing operations were confined largely to refinancing existing securities to obtain the lower interest rates of the prevailing money market. The industry financially is in the soundest condition in its history. Fixed charges for the use of capital in our industry have, over recent years, been sharply reduced. Capital investment, financed largely from earnings, increased $1.7 billion in the 10 years ended 1947. Long-term debt was reduced $580 million. Writedowns of plant account of $2.7 billion were made. Annual rate for accrual for depreciation has risen from 1.7% of plant account of 2.4%, while depreciation reserves on our balance sheet rose from 11% in 1937 to 22% in 1946. Long-term debt in relation to utility plant was reduced from 50% to 41%.

The financing, however, of a $6 billion program in four years is an undertaking of such magnitude that we must turn to the investing public to supply most of it. Cash generation within the companies from depreciation reserves, retained earnings and other sources will probably exceed $2.1 billion in the four-year period, leaving $3.9 billion to be raised by the sale of securities to the general public. If we apply to our capital needs the theoretical but well balanced capital structure ratios of 50% bonds, 25% preferred stock and 25% common stock and surplus, the division of this $3.9 billion would be debt and bank loans, $2.2 billion; preferred stock, $1.1 billion; common stock, $600 million. Surplus and retained earnings of $500 million would provide the remainder of the equity capital.

Let us now examine these amounts in relation to the requirements of industry as a whole. Economists tell us that to support a $200 billion level of gross national product will require about $22 billion cash for capital expenditures. There are two sources for this capital. One is cash generation within business itself through depreciation reserves and retained earnings, and the second is the sale of new securities and bank loans. At current business levels, the amount of cash generation within business runs from $14 to $15 billion, so that approximately $7 billion must be provided by private investors. Thus, the $1 billion required by the electric utility industry each year is approximately one-seventh of the total new requirements of all industry.

Obviously we have a serious problem ahead of us. There will be competition for the limited supply of capital to be available. The gas and telephone industry and the manufacturing industries will be calling on the investment market at the same time for large sums of money for their capital improvement programs. So will other business.

Our senior securities, of which approximately half a billion dollars must be placed annually, are especially attractive for insurance companies and will find a ready market. The remainder of something more than $400 million per year must be equity securities or their equivalent, and these must be of such attraction to investors that they will find a ready market. It is impossible to market utility equities without good earnings, present and prospective. In addition, the securities must be especially attractive if the industry is to win out in competition with other business for the investors' dollars. So far we have done well with this problem. In the first five months of 1948, new capital funds in the amount of $646 million have been sold by electric utilities, bonds providing $513 million, preferred stocks $62 million and common stocks $71 million. Reported temporary financing through bank loans has exceeded $68 million.

I believe our future prospects are good. Electricity is a great bargain, and gets to be a better one relatively every day. The demand for it is growing rapidly. New uses for power are constantly being developed. The high cost of labor in home and factory prompts the use of cheap labor-saving electricity.

Technological improvements and superior management are increasing efficiency and lowering relative costs. Money rates are low. The proportion of our expenses exposed to inflation is relatively low when compared with many other businesses.

So far we have coped with the inflation which has taken place. We are the only business in the country that has not raised prices again and again. I fully appreciate that we cannot continue on this course for long should the inflation spiral continue or prices remain at current levels. But there is no danger that we will price ourselves out of our market, as some industries are doing. I am sure that the cost of electricity to the consumer in relation to his other expenses is going to continue to be lower and lower.

We have much greater stability of earnings than most industries. We have no inventory problem. We sell a service essential in war and peace. Its cost is trivial to the householder, and of minor consequence to most businesses.

Our facilities are long-lived and the greater portion of them were built at pre-inflation prices. Over the past 10 years our plant account per dollar of revenue has shown a reduction from $5.50 to $4. Even with an increase by 40% of our plant account at present inflated prices, at the end of 1951 investment per dollar of revenue should still be under $5 per dollar of revenue.

A runaway inflation would be ruinous to all alike. Like everyone else, I believe that further inflation should be stopped. But if it is not, all business will be in the same boat. The situation of the utilities in relation to other businesses will not change for the worse. On the contrary it should improve.

We are in the main local industries. We can demonstrate our local character with great effectiveness. Every dollar of our plant investment is in the area we serve. All our employees are local citizens who live and work in the area. Every customer must perforce be a resident of the area. Many thousands of our customers are holders of our preferred and common stock. The list is growing daily. When the divestment program of the Holding Company

Act is completed a few short years hence, over six-sevenths of all outstanding electric utility operating company common stocks will be in the hands of the investing public and the remainder will be holding companies set up on a local area basis.

Thus is presented to us a challenge and an opportunity. We should encourage widespread ownership in our local areas of our equities. To do so we must pursue a reasonably conservative policy to assure continuity of dividends at an established rate. This will attract the permanent investor. We may well consider sale of our equities to our customers on an instalment basis, thereby further increasing local ownership.

For the reasons I have just given, utility securities will remain attractive to investors, and that we can more than hold our own in the competition for the funds of investors.

The end of hostilities did not bring peace to our country. Business recognizes the world-wide political and economic instability. We in the utility industry, as in all business, recognize the necessity for defense preparedness and pledge our facilities and organizations to its accomplishment.

We are called upon to aid Europe while we are hard pushed to take care of the needs of our own people. Taxes remain high. The pressure of inflation rises. The need for huge Federal revenues continues. Federal expenditures continue to absorb one-fourth of our national product and defense expenditures is one-eighth. The paramount problem in this country is the maintenance of a high level of industrial production and business activity to insure the continued working of our economic system, which still has the maladjustments imposed on it during the depression and war years. How are we to insure continued high productivity?

A 25% tax on the national product is not a tax on industry and business alone, it is a tax directly or indirectly on 60 million producers in every walk of life. Ten years hence the number will be 65 million. They will need jobs. New productive facilities must be provided; outmoded processes replaced by new; new plants built to place new products and inventions on the market. This means the investment of risk-money by someone. This industry is concerned in two directions:

(a) New production facilities is synonymous with an increasing market for electricity.

(b) Our needs yearly for equity capital are an important percentage of the total equity capital needs.

A steady flow of equity capital into industry is the most important insurance of a high level of productivity. This industry should align itself with other industries and other public spirited citizens to remove the road blocks to the generation of equity capital. We mention only a few of these road blocks.

(1) With government expenditures equalling one-fourth of the national product and defense expenditures taking one-eighth, it is apparent that government appropriations in all other directions should be stripped of all but essential spending, thus providing a base for the reduction of taxes. The incidence of taxation should be changed so that there will remain in the hands of the investor-taxpayer at least $7 billion per year which will provide the necessary equity to insure the present high level of production with continued employment at present levels, and the insurance of employment for those who are reaching the age of wage earners.

(2) Double taxation of dividends should be ended. This tax discrimination works against equity financing. It tends to encourage corporate borrowing. The policy of the utility industry is generally to put their common stock on a sound, conservative dividend basis. Our equity securities have an appeal to the small investor. The elimination of double taxation on dividends would encourage investment in our equity and would enlarge the base from which equity money could be drawn.

(3) The tax structure of the country, as now set up, has dried up the major sources of capital. It has ended the savings of people who ordinarily invest in business. Insurance is the only form of savings most people have today. We most earnestly hope that this situation will be corrected in the near future. On the present basis, taxes may destroy our way of life more completely than would a revolutionary movement to the left.

Capitalism or Statism

In addition to all this we are confronted with a battle for men's minds; a struggle to prevent Communism from overwhelming us from within or imposing its will upon us from without. We must win this conflict of ideologies cleanly and decisively; defeat means the end of our liberties; a half-way or compromise victory may result in far-reaching and detrimental changes in our economic system, our way of life, and our standard of living.

This complex and bewildering situation is a challenge to every one of us; to do our full duty and more, to think clearly, and to hold steadfast to the principles upon which our nation was founded, and which have guided us to our present position of strength, freedom and material prosperity. The challenge is especially great to the utilities. Adequite electricity is essential in peace; it is of vital necessity in war. The utilities must provide it in abundance. If they do not, the Federal Government must shove them aside and do the job.

Socialization of electricity is the very cornerstone of Communism and its ilk. So the utilities are in the forefront of the battle against Statism. Some companies have already been lost. Others are in the midst of the struggle. Still others while presently somewhat removed from actual contact will, if socialization of our industry continues, be drawn into the maelstrom as it nears your doorstep. In the end, we will win, lose or draw as an industry, not as individual companies.

All of us, I am sure, favor flood prevention and control and reclamation, and that electric generating facilities should be installed at the government dams where economically feasible. I believe that the public wants flood control and reclamation. It must be made clear to them that there is no social or economic need for the Federal Government to enter the power business in competition with taxpaying utilities under cover of supplying water to farmers or abating high water. The existing distributors of electric power in the area should market the power from government dams.

There are several practical ways in which the distributors could handle the marketing problem. One of them, or a group, could build the power house and install the generating equipment at each government dam under Federal Power Commission license, pay taxes on these facilities, and also pay the government for the use of falling water and the dam. The government in each case would retain full control over the dam, and operate it for its primary purpose of flood control, reclamation or navigation, or a combination of these purposes, as the case may be. This method would afford the greatest relief to the taxpayers, and be of maximum aid to reclamation, flood prevention and control, and navigation.

The government power house and generating facilities could be leased to the local distributors. Or the power could be wholesaled by the government to distributors under long term contracts without discrimination as to price or conditions.

The regulatory authorities having jurisdiction over the various utilities would, of course, see to it that fees and rates are fair, and that whatever benefits may result are properly distributed and, where applicable, passed on to the consumers.

The vast and widespread program of construction of government dams that is under way and proposed means that under our present laws, socialization of our industry will spread to many other sections of the country. There is no need of this happening.

We are in the main local utilities. But in the economic structure of our country, we are an industry. On national issues and policies, we will be judged by our accomplishments on a national basis. The failure of one utility to do its part hurts every other utility. A job well done is a boost for all. If we are to meet successfully the challenge of the times, we must think, act and talk as an industry which is part and parcel of American life.

If we are to think as an industry, we should broaden our horizons, and revalue what we do in the light of what it may mean to the industry as a whole. We should outline our objectives and policies in our local areas and on a national basis. We should keep our aims before us, and shape our courses towards them. Our industry badly needs a cohesive philosophy, a creed, and a unified policy program to guide our actions so that everyone will know where we stand.

Suggested Policies

May I outline a few of these issues and policies.

We should take our place beside others who are striving to bring about—

(1) A full understanding of the adverse sociological effects of government in business, the withering results of a planned economy and the delineation between individual rights and statism.

(2) The establishment of a sound tax program designed to allow and encourage the formation of the new capital needed for our free economy.

(3) The elimination of tax exemption for proprietary businesses, both public and private, and the other valuable and unfair special privileges enjoyed by government in business at the expense of everyone else.

(4) The utilities of the United States should continue to accept full responsibility for meeting the present and future electric power requirements generally of the territory they now serve, and of such other areas to which they can extend their power lines from time to time.

(5) Each utility should improve its interconnections both with other utilities and with industrial plants, enter into interchange agreements, and otherwise prepare to fully integrate their operations on an area basis, in an ever more effective manner than during the past war.

I think we should advocate—

(6) The development of the water resources of the nation and the control of floods through projects soundly conceived, well engineered, economically justified and administered so as not to destroy private business, and including, where warranted, the installation of generating facilities to utilize the falling water.

(7) The promulgation of a constructive power policy by the Federal Government which would define its functions in relation to the power business, standardize its practices, delimit its activities and stabilize and reassure the industry.

(8) Our utilities should absorb and market power from new government dams by building the generation and transmission facilities, or leasing the facilities, or purchasing the power output under long term contracts.

(9) Should the Congress decide to halt the growth of any Federal power undertaking or to divest the Federal Government of this responsibility it may have assumed in any area, the industry should stand ready to assume the electric power obligation to be surrendered.

(10) We should advocate th extension of the authority of existing regulatory bodies to Public Power, so as to place these government enterprises as nearly as possible under the same rules the taxpaying utilities.

Public Information Program

This industry finds itself today in a position which is truly amazing. Each of us in our local areas are confronted with a vast expansion program to take care of the needs and demands of our customers. We find ourselves facing the greatest need for financing in any period of our history. The industry is today a local industry in every sense of the word. Millions of shares of the securities of operating companies are held by thousands of stockholders and the list is growing larger daily. We have thousands of employees who have joined our ranks during the war and postwar years and had no experience in peacetime operation of the business.

There is a great need for a public information program at the local level to inform our customers, employees and our investors of the policies of the local company, its plans and prospects for the future, and the interdependence of the local utility and of the area it serves.

At the national level, this industry, in common with other businesses, is facing the problem of a shortage of investment capital due to operation of our income tax laws. We find ourselves subjected, as other industries are, to discriminatory, preferential taxation. There is a lack of understanding, as an industry, of our accomplishments in the postwar period and of our plans for the future. We find ourselves, in common with other businesses, but in the forefront, subjected to a drive for the socialization of industry. There is too little understanding of the operation of the capitalistic system, particularly the benefits derived therefrom by the individual.

We are badly in need of a broad public information program at the grass roots and on a national level. It has been too long delayed. We have an excellent, even inspiring story to tell. Economic facts are on our side. We must demonstrate that electric service by private business is superior and best for the nation. We must join with others to strengthen the opposition to socialism and communism. We must tell the retell the fact that business-managed utilities are a vital part of private business and should not be socialized. We cannot hope that the public, busy with its own affairs, will understand our position unless we tell it to them. We must tell our story to every segment of the social and political structure of this nation and do it over and over again. This is the way to make friends for the industry.

Good service; abundant power; low rates; improved public relations; cooperation with regulatory bodies; security for employees and investors; improved efficiency; engineering advances; all these we expect to give in full measure.

But we must do more than that in these difficult days. We must work with others to sell and resell our capitalistic system and prevent the spread of socialism. We must stand fast to our principles and beliefs as free people.

We can, we must, meet the challenge of these times. We will if we as an industry think straight, act wisely and talk effectively.

Bucher Heads Comm. On Foregin Banking

The Committee on Foreign Banking, a group of officials representing 40 financial institutions in New York, Boston and Philadelphia, announced today the election of L. Allan Bucher, Second Vice-President of the Chase National Bank, as Chairman. Also elected by the Committee for the ensuing year were Philip F. Swart, Jr., Second Vice-President of the Guaranty Trust Co., as Vice-Chairman, and Elzear E. Leger of the American Express Co., as Secretary. This Committee meets monthly at the New York Clearing House to discuss foreign banking problems and procedures.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Interest of the late Arthur F. Broderick in Bache & Co., ceased May 31.

Interest of the late John A. Guion in Scholle Brothers ceased May 20.

Interest of the late Philemon Dickinson, limited partner, in Smith, Barney & Co., ceased May 28.

Boston Club Outing To Have Large Attend.

BOSTON, MASS.—The outing of the Municipal Bond Club of Boston will have a larger number of out-of-town guests, including municipal men from New York City and Philadelphia. The outing to be held at Concord, Mass., on June 18 will be preceded by traditional two-a-day highball parties on June 16 and 17 at the Hotel Statler.

Joins Walston, Hoffman Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF — John R. Page has become associated with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He has recently been with Hannaford & Talbot.

H. Irving Lee Adds

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, CALIF.—H. Irving Lee & Co., First National Bank Building, have added David H. Wilson to their staff.

With A. E. Weltner & Co.

(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, FLA.—Mrs. Florence E. Brown is now associated with A. E. Weltner & Co. of Kansas City.

Rotan, Mosle Incorporates

GALVESTON, TEX. — Rotan, Mosle and Moreland, Inc., has been formed. Offices are located in the Anico Building, Galveston, and at 806 Rusk Avenue, Dallas; another office is also maintained in Beaumont, Tex.

Officers of the corporation are Arthur C. Cooper, President; Ester M. Hock, Secretary-Treasurer; Edward Rotan, J. Ludwig Mosle, and J. Marving Moreland, directors.

Hubert Brennan in NYC

Hubert H. Brennan is engaging in a securities business from offices at 115 Broadway, N. Y. City.

Irredeemable Money: Privilege Without Responsibility

(Continued from page 2)

understand, or when they do not know what they can do about such matters. There develops a spirit of hopelessness and a lethargic acceptance of things as they are. Since the people in general do not quite understand what is wrong with our monetary system, or believe it hopeless to try to correct the situation, or fear that they may be in error in proposing a plan for rectification, they become docile and even active opponents to proper correction. It is for these reasons that government dictatorship can take hold so easily and, in a very short time, reduce the mass of people to a state of general helplessness. It is also for these reasons that it is important that alert, vigorous, and fearless leadership be provided by those, such as officials of Chambers of Commerce, who should be able to understand what is happening and who should avoid drifting with a popular tide.

(b) *Our politicians in general have not been helpful:* Most politicians have given relatively little attention to this particular degeneration in our political, economic, moral, and social fabric. Most of them apparently have no clear understanding of it, and the essence of the issue involved appears to have escaped their attention almost altogether. Their interest in it, like that of the mass of people, seems negligible. They tend to wait until great harm is done or until a catastrophe precipitates a political issue. Then they become active. But it must be a political issue first of all. A helpful, wholesome bill in the field of monetary reform, unless pushed by the Executive Department, can lie till doomsday in a Congressional Committee if its Chairman happens to be attuned solely to political pressures and if the bill does not seem to him to be part of an important political agitation.

Our politicians in general have not provided the people of this country with good leadership in respect to the sin of issuing irredeemable promises to pay. They have gone along with and in fact have been responsible in great degree for, this species of degeneration in the standards of our behavior.

The question is: How much influence did the inactivity of the majority or our politicians in respect to this issue have on the New York Chamber of Commerce?

(c) *The responsibility of the Treasury and Reserve banks in this picture:* The Treasury and Reserve banks, aided by the passive cooperation of the commercial banks, have played an important part in leading a confused Congress into the authorization of such a course. And since they got the right to issue promises to pay while being permitted to escape the corresponding responsibilities, they have fought at every turn and in every way to keep these special privileges.

They have gone even further: Some of the Reserve officials have argued that the Reserve banks should not be required even to maintain reserves. That is an attempt to reduce responsibility for meeting promises to a very low level indeed!

Still further, and by way of example, the Treasury and Reserve authorities have even failed in their responsibilities as to the type and nature of promises they were authorized by law to issue. By a sleight-of-hand manipulation beginning in December, 1942, the Treasury and Reserve banks, in cooperation, issued $660,000,000 of "National Currency Notes." No such notes were authorized by law. By this transaction, the Treasury gave itself $660,000,000 of deposits on the books of the Reserve banks to which they were not entitled; the Reserve banks added $660,000,000 of fiat paper money, to which they were not entitled, to their reserves; and both the Treasury and Reserve banks set aside a tax law of Congress that should have applied had these notes been issued as Federal Reserve bank notes in accordance with the law. On March 31, 1948, there were still $370,000,000 of these fiat National Currency notes outstanding (under the heading of "Federal Reserve bank notes").

These fiat notes and all our other irredeemable paper money constitute the great bulk of our domestic money; and it is this type of money that the New York Chamber of Commerce wittingly or unwittingly endorses.

(d) *The commercial banking fraternity also goes along:* The commercial banking fraternity, particularly as revealed in policies of the American Bankers Association, has also gone along with the Treasury and Reserve banks in respect to the maintenance of an irredeemable paper money in this country. In other words, by their passive inaction and cooperation, they also in effect endorse the principle of privilege without responsibility for banks and the Treasury. They reveal themselves as satisfied to meet their deposit liabilities by paying out an irredeemable paper money just as they apparently are satisfied to have their own reserve deposits with the Reserve banks paid to them in irredeemable paper.

This going-along with the irredeemable paper money tide is characteristic of the commercial banking fraternity in general; it is not characteristic of a considerable number of outstanding and greatly concerned bankers. As an example of the latter, Mr. J. H. Frost, Chairman of the Board, Frost National Bank, San Antonio, Texas, in an address before the Texas Bankers Association on May 25 (published in *The Commercial and Financial Chronicle* of May 27), said in part: "It would seem that bankers, as the custodians of the people's money, should be more interested than any other class of the population in the maintenance of sound money. Curiously enough, however, the history of most, if not all, of the disastrous inflations of the past indicates that bankers have usually been quite complacent—and often have cooperated in producing monetary inflation. This seems to be largely due to the fact that the liabilities of banks are all monetary and can be discharged by payment in the monetary unit no matter how far the depreciation of its purchasing power may have progressed.

"Another contributing cause for the bankers' complacency is that it is almost impossible to make losses during a period of rising prices produced by monetary inflation. The people who suffer from depreciated money are not the bankers or custodians, but the depositors or owners of the money. Somehow, it seems to me that the custodian should feel an implied obligation to at least make an effort to influence events so as to be able to return money of the same intrinsic value and purchasing power as was entrusted to him by the depositor. I don't think that this is too much to ask and expect from the men at the head of American banking and I believe that if the bankers of America really understand what has happened and is happening to the people's money, they would arouse themselves and demand and finally effect a return by this country to a sound currency redeemable in gold, with the clear right on the part of any American citizen to own and hold gold the same as any other property. It is almost incredible that this liberty-loving people could have apparently approved its government making it a criminal offense, punishable by confiscation and fine, for an American citizen to own or hold gold in his possession, and this in spite of the many examples of shattered economies, poverty and suffering directly attributable to irredeemable paper money."

Mr. Frost is everlastingly right in what he says, and there are other outstanding bankers who hold the same views and are deeply disturbed over the general attitude of the banking fraternity in respect to an irredeemable currency in this country.

The question arises as to the extent to which the New York Chamber of Commerce was influenced by the general behavior of the banking fraternity. With the Treasury, Federal Reserve authorities and banks, and the American Bankers Association, all going along with the movement to maintain the irredeemability of our domestic money, it is easy to understand how inviting the Chamber apparently found it to drift with the tide.

Mr. Frost has pointed to an extremely important danger in what the banking fraternity in this country has been, and is, doing. In addition to the fact that they have been seeking to maintain special privileges for themselves and to be excused from fulfilling their appropriate responsibilities, they are, as Mr. Frost says, custodians of the people's money, and as such they have been helping to sell the American people down the river of currency depreciation.

In due course the general public can become aware of the facts, and the retribution that may come crashing down on the heads of the bankers is something that they themselves are inviting.

It is an arresting and disturbing picture to see the banking fraternity supporting irredeemable paper money, seeking special privileges for themselves while avoiding the assumption of the corresponding liabilities, and, as custodians of the people's money, resisting the most basic step that could be taken to terminate the depreciation of the people's money—a restoration of the obligation to redeem promises to pay.

It is also disturbing to see the Chamber of Commerce of New York joining hands in this unsound and dangerous enterprise.

4. The Chamber Acquiesces in the Continuation of the Destruction of the People's Right of Property in Gold

Under our monetary system, the people of this country are deprived of the right of private property in gold. If the saver, seeking a safe place for his savings, should decide that he preferred to invest in gold, he cannot do so. His government says that he must use an overvalued silver, an irredeemable promise to pay, a bank deposit which is redeemable in nothing better than silver or irredeemable paper, or some other commodity. But gold, one of the safest investments man has discovered throughout the ages, he cannot have.

Representative Howard Buffett of Nebraska, one of the most penetrating commentators on the fundamental and far-reaching implications of the loss by the people of the United States of a domestic gold-coin standard, has brought the matter down to the basic issues involved. He has correctly and repeatedly pointed out that human freedom rests upon the redeemability of paper money in gold, that such redeemability is the only instrument which the people can use against their government to control its prodigal spending, and that the sacrifice of one's right to exchange the fruits of one's labor for gold is a sacrifice that involves the serious impairment, in a multitude of directions, of human liberty.

The far-reaching ramifications of the impairment of human freedom by the destruction of the right of private property in gold is not often discussed today, and it obviously is not widely understood. The general public clearly confuses the convenience of paper money and of the checkbook with the basic and most important, little-seen, and poorly-understood, functions of gold—those of a clearing agent, of a reserve against promises to pay, of a storehouse of value, of a standard of value, of a standard for deferred payments.

That private property in gold, under our present monetary system, has been destroyed should be clear even though the implications of this destruction of this particular object of property are but poorly understood. One might well expect to find in the Chamber of Commerce of the State of New York understanding and therefore vigorous defenders of the conventional rights in private property. But in the case of private property in gold—surely one of the most vital of all rights in private property—the New York Chamber acquiesces in the continuation of its destruction.

5. The Chamber Is Willing to See the People Deprived of Power Over the Public Purse and Supports a Governmentally-Managed Economy to this Extent

It has been pointed out repeatedly in this country that a gold-coin monetary standard and system place in every individual's hands the power to demand redemption of the promises to pay which he holds in the event he finds reason to question the freedom with which the Treasury and banks are issuing such promises.

The New York Chamber, by its vote, has expressed itself as being unwilling at this time to change a monetary system that deprives the people of this power over their government's use and abuse of the public purse.

A so-called "managed" irredeemable paper money is a basic requisite of a governmentally-managed economy. It, perhaps above all other instrumentalities, gives a dictatorial government power to control the economy and the people. The advocate of an irredeemable paper money is a friend, wittingly or unwittingly, of a governmentally-managed economy. Conversely, a domestic gold-coin system is apparently the best instrumentality known to man with which to maintain a free private enterprise system.

The New York Chamber has in this respect aligned itself with the supporters of a governmentally-managed economy and against the free private enterprise system.

6. The Chamber Alleges, Without Proof or Good Reason, That World Conditions Require That We Have An Irredeemable Money

The Chamber states that "this nation should have the soundest possible monetary system, which it believes to be one based on the gold standard" and it "feels that every possible step should be taken to attain that ultimate objective as rapidly as world conditions justify."

Now just what, precisely, do world conditions have to do with the adoption domestically in the United States of a gold-coin or gold-bullion standard? The Chamber does not explain what the connection is, or just what world conditions should be before we put our currency on a redeemable basis domestically.

It seems reasonable to suppose that if the Chamber knew just how world conditions prevented our return to a redeemable currency it would have explained. It owed such explanation to the public. The fact that no such explanation was forthcoming suggests that it was unable to provide it.

This suggestion rests upon good ground simply because world conditions provide no reason whatever to the effect that we should not or could not return to a redeemable currency domestically. Indeed the converse is the case. The widespread chaos in world conditions provides additional reasons why our monetary system should be of the best—why it should not involve the disease of irredeemable currency if this can be avoided, as it can. If our monetary system is of the best, the resulting healthfulness of our economy becomes an element of strength to other countries with which we deal.

Perhaps this point deserves some further attention because of the manner in which the Chamber dealt with it: Ever since the date of the devaluation of our gold-dollar price of an ounce of gold, at which time the rate of $35 was adopted, and at which time we went on an international gold-bullion standard (with restrictions), all our monetary relationships with other countries have been maintained on that basis. They could send gold to us at $35 per ounce and get gold from us at that rate. This arrangement prevailed during the war, when the world was in turmoil, and it prevails now. In other words, from 1934 up to date, foreign countries — that is, their treasuries and central banks—could get gold from our Treasury but the people of the United States could not.

Now the point is this: Allowing the people of the United States as well as foreign countries to have access to the gold held by the Treasury would not change in any way the rights of foreign countries and banks to get gold just as they have been getting it all along. The only difference would be that the people of the United States would be given the same rights in respect to their claims that foreign treasuries and banks have had all the time. Our people could not exercise rights belonging to these foreign institutions, and the latter could exercise no more rights than they have had. Giving our people a redeemable currency could not detract from rights given foreign institutions or foreign individuals or corporations for which they act as agents. In fact it would merely give our people a better currency and at the same time prove mutually advantageous to us and to foreigners.

7. The Chamber Is Willing to Give Foreigners, but Not Our People, Access to Our Gold

Why the Chamber should use the vague "world conditions" as an excuse for not allowing our people the same rights that we accord foreign institutions and, through them, some foreigners, under these same "world conditions," is not clear.

As a part of this picture, the question arises as to whether the Chamber considered the arresting fact that we tax our people to give foreign governments and banks claims against us which they have a right to convert into gold while our abused taxpayers, on the other hand, must accept irredeemable paper currency and overvalued silver in payment of their claims. That arrangement has escaped disapproval by the New York Chamber. That body in effect insists that our people, but not foreign treasuries, banks, and people, should wait before their claims are made redeemable until "world conditions justify."

Let it be emphasized: World

conditions have no bearing upon our return to a redeemable currency beyond providing additional reasons why we should rid ourselves promptly of irredeemability. If there is any reason why both foreigners and the people of the United States cannot have access to our gold in accordance with their claims against it—because, say, of runs on our banks—the question arises as to why we should not give our people preference over foreign treasuries and banks which have had the rights denied our people ever since Jan. 31, 1934—and under those "world conditions" which the Chamber would have the public believe have some pertinent, or mysterious, bearing on why our people should be penalized still further as against foreign claimants.

The sole questions that arise as to our restoration of redeemability are these: (a) Do we have enough gold to permit resumption of gold payments, and (b) can we yank ourselves back to the conventional standards of integrity and good sense in respect to issuance of promises to pay—that is, in respect to matching responsibility with privilege.

We have enough gold to resume gold payments any time Congress will pass a bill ending irredeemability of our money. The ratio of our gold stock to our paper money and deposits has been much higher during the last several years than it ever was during the years in which we were on a gold standard. Indeed, we have heard much about our excess gold holdings, about being flooded with gold, about the uselessness of our gold, and so on; but, if one raises the question of resumption of gold payments, then there are protests, remonstrances, expressions of fear, allegations regarding scarcity of gold, the argument that "world conditions will not permit," the contention that the proposal is "premature," and so on.

The authors of these conflicting arguments rarely attempt to offer factual data to support their contentions or observations, regardless of whether it is said that we have too much gold or not enough to permit redemption. But among all these observations the prize ones in opposition to resumption of gold payments seem to be that the proposal is "premature" or that we must wait till "world conditions justify." Both, it may be supposed, sound impressive to their authors; but when one attempts to find what substance lies behind such words, he finds nothing—for the simple reason that there is nothing to find.

It may be noticed that the New York Chamber did not attempt to demonstrate, nor did it even allege, that the United States does not hold sufficient gold to permit resumption of gold payments in an easy way—and under highly favorable circumstances. The easiest year would have been 1940 when the ratio of our gold to our paper money and deposits was at its peak.

8. The Chamber's Constructive Recommendation

The New York Chamber says that "as a step toward that objective [the soundest possible monetary system] the Chamber urges Congress to revoke the existing legal provisions which sometimes are interpreted as authorizing the Secretary of the Treasury to buy and sell gold at prices other than the established one of $35 per fine ounce."

The Chamber is to be commended for this constructive recommendation. Our safety regarding the fixed nature of our gold-standard unit would be increased if Congress were to repeal Sections 8 and 9 of the Gold Reserve Act of 1934 which repose the power indicated in the Secretary of the Treasury (the approval of the President is required under Section 8 which is applicable to purchase of gold).

The Report of the Chamber's Committee on Finance and Currency, in dealing with these powers of the Secretary and of the President to alter the weight of the dollar, reveals confusion. After mentioning the President's power to alter the weight of the gold dollar under the Gold Reserve Act of 1934, the Report says (p. 13): "That authority has not been used again since that time, and some informed sources contend that it has been revoked by subsequent legislation, especially the legislation ratifying the Bretton Woods monetary agreements and that making provision for the United States' participation in the International Monetary Fund. In the absence of clarifying legislation, however, there still is room for doubt as to whether the President, and the Secretary of the Treasury by delegation, do not still have the power to make further changes in the weight of the dollar within the two prescribed limits [50-60% of the preceding weight]."

The facts are these: The power of the President to alter the weight of the gold dollar expired July 1, 1943. His power to alter the weight of silver and other coins to the same degree that he altered the weight of the gold dollar continues. The Bretton Woods Participation Act of July 31, 1945, can bear only upon the Treasury's power under Sections 8 and 9 of the Gold Reserve Act of 1934 since the President's power had already expired.

II. The Report of the Chamber's Committee on Finance and Currency

This Report is supposed to provide the justification for the Chamber's Resolution. In it the members of the Committee say (p. 11) that "There is considerable difference of opinion as to the type of standard this nation has been on since enactment of the Gold Reserve Act of 1934." They then quote from R. G. Hawtrey to the effect that "the nation [the United States] for all practical purposes has been on a full gold standard." They also state that the late "Dr. Kemmerer describes the present standard in this country as a 'new type of gold-bullion standard . . . which meets the "constituting quality" of a gold standard.'" They then quote from Dr. A. W. Crawford and from this author, producing what they seem to suppose are fundamentally different views as to the nature of our monetary standard and system.

1. The Nature of Our Monetary Standard and System

Now the point involved is a matter of accurate description. In our international relations we operate on a gold standard of 35 gold dollars per fine ounce of gold. But the restrictions thrown around the use of gold in international relations are numerous. Domestically, all our paper and metallic money is irredeemable in so far as gold is concerned. We have a system of indirect conversion which maintains the parity of our domestic currency with gold. Thus our system is an international gold bullion standard of a highly restricted type.

2. Varieties of a Gold Standard and the "Constituting Quality"

The Committee say (p. 10): "There are three generally recognized types of gold standard: (1) the gold-coin or gold-specie standard, (2) the gold bullion standard, and (3) the gold exchange standard." They then go on to state that Dr. Kemmerer maintained that gold coinage and redeemability in gold are not necessary to a gold standard and that maintenance of the currency at a par with gold internationally is what he calls the "constituting quality" of a gold standard.

The implication of this discussion by that Committee is that according to Dr. Kemmerer we really have a gold standard as things stand and that therefore the Chamber had very good authority for urging that the present system not be changed.

There are some things here that need to be set straight. Dr. Kemmerer fought our present irredeemable paper money system to the limit of his capacity. He was president for ten years and until his death of the Economist National Committee on Monetary Policy which for the fifteen years of its existence has been dedicated to the restoration of the redeemability of our currency in gold coin or gold bullion.

Dr. Kemmerer's classification of varieties of gold standard requires an interpretation that *differs* greatly from that provided by the Chamber's Committee. He, like most authorities in the monetary field, classified in different ways in accordance with the purpose to be served—a thoroughly scientific procedure. One may characterize a gold standard in terms so broad or so simple that it will include all variations in which the word "gold" is used—just as one may say that the "constituting quality" of an automobile is a motor-propelled vehicle or a motor car with four wheels. But a broad classification such as a "motor car with four wheels" will not inform one as to whether the machine is a Cadillac, a Ford, a sedan, or a truck. Similarly, the maintenance of a domestic currency at a par with gold internationally is a "constituting quality" of a gold standard, but it is a quality so broad and elemental in nature that it provides one with very little information as to the nature of a nation's monetary standard and system.

All the following have this common quality but each differs from the others: the gold-coin standard, the gold bullion standard (which means that gold-bullion is used domestically as well as internationally), the international gold bullion standard (which means that a country has irredeemable domestic currency), the gold exchange standard, the gold bullion-exchange standard, the gold coin-exchange standard, the gold coin-bullion-exchange standard, the foreign exchange standard anchored to gold in a foreign country.

The differences in these varieties of a "gold standard" are important. The Chamber's Committee missed the significant point, and its treatment of this particular matter probably would mislead the uncritical reader and give him the impression that because our monetary standard has what Kemmerer called the "constituting quality" of a gold standard we have all that is necessary or important in a "gold standard"—and, furthermore, that our present system met with the late Dr. Kemmerer's approval, which is contrary to fact.

It obviously needs to be emphasized that our monetary system involves an irredeemable paper money domestically and that Dr. Kemmerer fought it at every turn. That Committee's use of Dr. Kemmerer's "constituting quality" would seem to be comparable with an attempt of an owner of an old model T Ford to convey the impression that he has the latest Cadillac because he had the "constituting quality" of a motor car.

3. What the Chamber's Committee Endorsed, and Its Conclusion

What the Chamber's Committee endorsed was not a good or a thorough-going gold standard and system, such as a domestic gold-coin or gold-bullion standard and system, but a domestic currency composed largely of irredeemable paper money with our gold put at the disposal of foreign treasuries and banks.

The Chamber's Committee then reach this conclusion: "The nation's present monetary standard is serving the purpose at the moment." Who's purpose? And what of the best interests of the people of the United States? On what defensible grounds can the Chamber's Committee insist that an irredeemable paper money can serve the people well?

Because the banks and Treasury are not required to redeem the promises forced upon people, these institutions have been able to issue an excessive amount of such promises, interest rates have been driven to extremely low levels, and the purchasing power of the dollar and of the people's savings has declined sharply.

4. The Committee's Defense of Its Action

The Chamber's Committee goes on to say, in defense of its non-corrective program (p. 12): "With the European Recovery Program (Marshall Plan) getting under way, and with the International Monetary Fund in operation, but still confronted with a number of problems which remain to be worked out, the present appears to be a most inopportune time to take precipitate action which might complicate further an already complicated international financial situation. Under the circumstances, the most feasible course is for the United States to remain on its present monetary standard for the time being."

The preceding paragraph is in nature mere words which mean nothing and signify nothing beyond the fact that the Chamber's Committee proposed to do nothing about correcting our irredeemable paper money situation.

The Committee did not explain what bearing the Marshall Plan has on ridding ourselves of irredeemable currency. If we want an honest currency in this country the Marshall Plan would have no bearing on the situation except to provide an additional reason why we should not have an irredeemable money.

The Committee did not point out what the operation of the Monetary Fund has to do with a resumption of gold payments. The Fund, they say, has problems. Presumably it will always have problems. Perhaps it might be pointed out that one of the Fund's greatest problems is irredeemable paper money. The Fund's problems should become less as honesty in the issuance and redeemability of currencies increases.

The members of the Committee say that "the present appears to be a most inopportune time to take precipitate action." What would be precipitate action and who is recommending it? Do the Committee consider it "precipitate action" to end irredeemable currency in this country after fourteen years of not taking "precipitate action"? It is never an inopportune time to terminate the issuance of irredeemable promises to pay, when a nation has the means with which to do it—as we certainly have—and that Committee provided no valid reason as to why we should continue with our dishonest irredeemable money.

5. Did the Committee Understand What It Was Endorsing?

The members of that Committee have chosen to put themselves on record as defending irredeemable paper money for the people of the United States, as defending the granting of the privilege of issuance of promises to the Reserve banks and Treasury without at the same time requiring them to assume the appropriate corresponding responsibilities, and as defending all the other implications of an irredeemable paper money, mentioned above. The question, of course, is whether that Committee understood at all well the fundamental principles and implications involved in the issues on which they were endeavoring to render an opinion.

6. The Serious Implications in Seeking Privileges and the Avoidance of Responsibilities

The seeking and gaining of privileges without the willingness to assume the corresponding responsibilities is a serious piece of business. It invites and tends to bring retribution. It is deeply disturbing to see the Treasury and banks engaging in the practice of claiming special, and most undesirable, privileges, while fighting to avoid their corresponding responsibilities. It will be surprising if a serious day of reckoning does not flow from this unfortunate policy.

It is also unfortunate that an organization such as the Chamber of Commerce of New York with its array of distinguished men should see fit to endorse this course now being pursued by the Treasury and banks. It amounts in effect to participation in a national sin which promises to exact, some day, severe penalties for our apparent belief that we can challenge with impunity such fundamental verities in life as those involved in the importance of maintaining standards of common honesty, in the proper fulfillment of our promises, and in the acceptance of the responsibilities that correspond with our privileges.

Frank Knowlton & Co. Now a Corporation

OAKLAND, CALIF. — Announcement is made of the formation of Frank Knowlton & Co., a corporation, with offices in the Bank of America Building, to take over the general investment business formerly conducted by the partnership of the same name. Officers are Eugene V. Flood, President; Charles E. Jank; Horace R. Williams; Edw. S. Goetze; John W. Evans, and Dora McClelland. Frank B. Knowlton will be associated with the corporation.

With Herrick, Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Wilfred E. Kleine and Vincent E. Schomaker have been added to the staff of Herrick, Waddell & Reed, Inc., 332 South Michigan Avenue.

With Nathan C. Fay & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE — Philip H. Hansen has become associated with Nathan C. Fay & Co., 208 Middle Street. He was formerly with R. H. Johnson & Co. and J. Arthur Warner & Co.

Joins J. Arthur Warner

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE — Albert B. Collins has rejoined the staff of J. Arthur Warner & Co., Inc., Clapp Building. He was recently associated with R. H. Johnson & Co.

Wm. C. Roney Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—H. Weston Hoyt has been added to the staff of Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

With Jones B. Shannon Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Edgar W. Averill is with Jones B. Shannon & Company, Buhl Building.

With Capital Securities

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — Willard J. Hammel is with Capital Securities Co., 2038 Broadway.

Who Are Our Stockholders?

(Continued from page 6)

was in fact the property of individuals, the pattern of whom would follow generally the pattern of the shares in individual names. The insurance companies, the investment trusts and other so-called sophisticated investors, did not concern us for this purpose, so their names too were left out.

The obvious way to get the information we wanted concerning these 108,000 individual stockholders was by the use of the modern business tool, the public opinion survey. We called in a leading firm to advise us, and followed throughout the established techniques of the public opinion polls.

You may be interested in learning exactly how we proceeded. For reasons of both speed and economy, we decided to use a mail survey, followed up, for checking purposes, by personal calls on a number of those who did not respond. The experts told us that if we mailed a questionnaire to about 8% of the list, and tabulated the answers we received, we would have an adequate statistical sample of the mail responses. The names were selected by pulling every 12th name from the alphabetical list of common stockholders, unless such name happened to fall into one of the eliminated classifications, in which case the 12th following was taken.

To each of these names we sent a questionnaire in the form of a four-page folder. The front page contained a letter over the facsimile signature of the president of the company, explaining briefly that we were interested in the opinions of our common stockholders on many matters, and asking for their cooperation by way of as complete and candid answers as they were able to give. We told them we expected to make use of the results in assisting us to better serve their interests as stockholders. No place was provided for a signature, but each questionnaire bore a code number to enable tabulation as to geographical location and size of holding.

The experts said we should expect around a 20% response. Actually we got over 27%.

We trained a group of our public-contact employees and, after the mail questionnaires had come back, sent them out on a personal canvass of enough of the non-respondents to find out whether or not their failure to respond had been because of any prejudice. As it turned out, the results of these interviews followed very closely the pattern of our mail responses, and bore out the conclusions arrived at from the mail responses.

The results were carefully entered on punch-cards and tabulated in accordance with the best statistical techniques. A number of breakdowns were made. One was as to geographical location—that is, whether in New York City or outside, and for the total U. S.; another, as to size of holding—one to four shares, five to nine, 10 to 19, 20 to 29—and in blocks of increasing sizes up to 5,000 shares and over; another as to income brackets—under \$3,000; \$3,000 to \$4,999—up to \$20,000 and over; another, as to age brackets, another, as to sex.

Analysis of Questionnaire

Study of these breakdowns has given us a lot of angles, and from them we have drawn our conclusions.

Conclusion number one, is, as some of us had long suspected, that stockholders are people, and that our stockholder list is, in the final analysis, just a cross-section of the body politic, with two general exceptions. One is that the stockholder group is older, the median age being 40% higher than that of the nation's adult population, as was to be expected. The other is that the annual income is higher.

On the other hand, we did unearth some important facts and some surprising ones. Possibly the most interesting was that only 5% of the stockholders are ours alone. In answer to the question, "Do you own other stocks beside Con Edison?" Ninety-five per cent say yes. Of these, 12% said they owned several (2 or 3), 37% a few (3 to 10), 51% over 10.

From this data alone it might be deduced that our stock is owned by a group of wealthy investors. However, this is disproved when we turn to the income figures and find that the median yearly income of those reporting was \$4,700. But, as might be expected, it was found that the greater the income, the larger the holding of our stock.

A look at the distribution by occupations likewise disproves the wealthy investor theory. The most frequently mentioned occupation was housewife—this by 24% of all stockholders responding to the questionnaire. The next two classifications at 19 and 18% respectively were proprietors, including managers and officials, and retired persons. Professional and semi-professional workers comprised 16%; clerical, sales and kindred workers 13%. Furthermore, we knew the median holding of Con Edison common stock to be 34 shares, representing capital at today's market of about \$800, which again indicated modest means.

Does not this fact, that only 5% of the stockholders are exclusively ours, emphasize that we are in competition for favor with the stockholders of a large number of other companies? Does this not mean that the impression we make upon our stockholders may well determine whether, if they have to sell some of their holdings, they decide—values, of course, being equal—to sell someone else's and keep ours; or, conversely, if we and other companies happen to be offering rights to subscribe for new stock at the same time, they will buy our stock instead of someone else's? We think the answer is yes, and we have accordingly a new concept of our competitive position with respect to securing funds in the investment markets.

Possibly the next most interesting finding was how these people happened to become stockholders. Not all of them purchased their stock—only 87%; 3% acquired it by gift, 9% by inheritance and 1% by distribution from another company.

How did those who bought it happen to buy it? What influenced their decision? The replies show that some 58% acted on the basis of personal recommendation. These recommendations came from many sources. Brokers were in the lead with 34% and bankers accounted for 10%. Friends and relatives, however, accounted for 23% and 22% of the recommendations, respectively. We have no way of knowing this from the survey, but we think it is safe to assume that some of these 45% of friends and relatives may also be bankers, brokers or members of the financial community. At any rate, the 34% of brokers and 10% of bankers—nearly half of those whose recommendations influenced the purchase of the stock—were surely identified as financial people, and this points quite clearly to the desirability of making friends within the financial community and keeping them.

This information is extremely helpful in determining the format and content of our annual report. It says to us that, however much we may glamorize it with pictures, charts and color, and tables showing "where the money came from," and "where the money went," we must be sure to include the information the financial people want and in the conventional form in which they are accustomed to getting it.

Majority of Stockholders Are Investors

The survey has convinced us of another thing. A majority of our owners are out-and-out investors. We have a number of angles on this. We asked the question, "Are you holding the stock primarily for income, for appreciation, or both?" Of those who answered this question, 64% said they were holding the stock primarily for income, 35% for both and only 1% for appreciation. We were able to pursue this further, too, for we had listed on the questionnaire a number of suggestions as to factors which might have influenced the stockholders' decision buy the stock. Some 33% said they had been influenced by the company's dividend record, 27% by faith in the public utility industry, 18% by the company's financial condition and 12% by the territory served.

These answers all seem to boil down to a desire for stability of income and security of investment. Of course, some will argue that no common stock should be bought for stability of income and security of investment. Possibly so. But the fact is that a tremendous amount of it has been so bought, in the case of this company at least. Certainly there is little or no indication of the speculative "in-and-outers" in our group.

On one question we really stuck our chin out. Looking toward the future necessity of selling more equity securities, we asked, "Would you buy more common stock in Con Edison?" We realized that this was a wide-open question and one on which we would not get anything very definite. We were looking rather for the expression of an attitude. Obviously, if you ask a man if he would buy more stock in a given company, he is pretty likely to ask you under what conditions it is to be offered. If you mean to issue rights to purchase it at a price under the current market, that is one thing. If you mean, will you buy it on the market if the price declines, that is something else.

Well, of those who answered the question in the form we put it, "Would you buy more stock in Con Edison?" 74% said yes, and 26% said no. But of those who said yes, we were not at all surprised to find that 38% conditioned their reply by indicating they would do so if they had funds available.

A very interesting line of comment was developed by those who said they would NOT buy more Con Edison stock. Of these 23% gave the very logical reason that they would prefer to diversify—to make their further investments in companies other than this, or in stocks other than public utilities. A fairly substantial number commented upon the fact that the industry was too much regulated by the government; that the regulatory bodies were not granting prompt rate increases; that they did not like the political situation surrounding utilities; that they felt the industry was vulnerable to inflation. On the whole, the attitude expressed was fairly optimistic, we feel, as to the sale of additional common stock to our present stockholders.

But this question did give some of them a chance to take a swing at the management. In the exact words of one, "There is an indicated tendency to consider primarily the rights of employees and management, and to let the stockholders be the hindmost devil." Another sample was, "Under no conditions whatever, without a complete change in attitude toward holders of the common stock." Why, in the face of such an attitude, they continue to hold their stock can only be put down, I suppose, to the well-known inertia and perverseness inherent in the human race. It only goes to prove that stockholders are people.

The answers to the questions to obtain stockholder opinion on our president's welcoming letter, our dividend enclosure, our annual report and other company stockholder relations efforts, are not of any particular significance here, but certainly the endorsement of each of these by the survey has been sufficient to convince us we should continue them, substantially as is. In certain cases we shall adopt recommendations made for changes. It was certainly gratifying to learn that 88% of those who expressed an opinion said that the company was giving its stockholders enough information.

The \$64 Question

I suppose the \$64 question from our standpoint was the one, "How would you express your opinion of the management of the company?" As you sit there, try to guess how your own stockholders would respond to such a question. What percentage do you think would say very favorable, what percentage favorable, what percentage uncertain, what percentage unfavorable, and what percentage very unfavorable? How many would you think would respond at all to such a question? I am going to be coy and not give you our percentages now. If you are interested, see me after this meeting. But I will say one thing that probably will not surprise you: those who acquired the stock at market prices considerably higher than the present were generally much less favorably inclined toward us than those who acquired the stock at prices under the present market. This we were able to tell by relating the replies to the age of the account.

There had been some feeling before we undertook the survey that it might turn out to be a hot potato — that stockholders would say that we were prying into their affairs, and would take it as an occasion to sound off on all sorts of grievances. I will not deny that there has been some small evidence of this—according to the poll experts we set off the normal number of discordant notes. Several stockholders suggested, for example, that the size of their incomes was knowledge for the income tax collector and nobody else; quite a few of the ladies wrote, opposite the age blanks, "None of your business." But, at that, some 83% answered the questions on age and income.

On the whole, I would say that the responses to the questionnaire were candid and conscientious. Many were highly gratifying; a number quite flattering. All in all, we are glad we did it.

We have made dozens of different tabulations from these data. I could go on for an hour giving you interesting sidelights. But it all comes down to proving one thing — stockholders are people They come from all walks of life, from all occupations. Being mostly owners of several stocks, they are people who are investment minded, interested primarily in security and income. That we have proved.

On the other hand, admittedly this is only a scratching of the surface of a big subject. If these findings are typical of our industry and further investigations tend to corroborate them, and if they could be given circulation and gain wide acceptance, they could exert a profound effect upon the industry's future. For example, could not the removal of the stockholder from the misty haze of the unknown, into a recognizable type of citizen, conceivably come to have an influence upon our regulatory authorities?

Stockholders Are People

These stockholders are not a class apart. They are people. To have become a stockholder in the first place, presupposes some degree of self-denial and saving effort, and presupposes confidence in an economic system that will make self-denial and saving worth while. In a country dedicated to the individual private enterprise system, these citizens deserve all consideration, encouragement and applause. They deserve the right to be heard and to have their interests safeguarded.

But consider the implications in this quotation from a recent annual report of a State regulatory body:

"During the year, the Commission continued its efforts to bring about further rate reductions to the millions of utility consumers in the state, with unusually successful results. The services rendered by the various utilities are essential to the life and activities of nearly every individual in the state. The cost of these services constitutes an important element in the family budget as well as in business and industry."

Actually, as we all know, the cost of these services DOES NOT constitute "an important element in the family budget," or in the large majority, at any rate. Furthermore, and again as we all know, except for heavy industries, it is NOT "an important element" in business and industrial budgets. But, aside from that, what about the contribution of dividends to the family budget of the stockholder? As far as our company is concerned, the typical (median) individual stockholder owns 34 shares. That means he is now receiving \$54.40 a year in dividends. We found that he is the owner of several stocks, so it is safe to assume that his dividend income may be several hundred dollars a year. Surely dividends make a far larger contribution to his family budget than his utility services cost him.

Says this same report:

"The reductions in the cost of utility service during the war years are of special significance, as they have been accomplished in a period of rising prices of practically all other necessities of life. Recent studies by various governmental and private agencies indicate that the cost of living since the start of the war has increased by about 30%."

What are the regulatory authorities doing to help the stockholders to cope with this rising living cost—today far higher than 30% over prewar at that time? Dividend increases have been fairly common among the industrials, as our stockholders are quick to remind us, but very, very scarce among the utilities.

In fact, it would look as if the stockholder couldn't possibly win, if the regulators had anything to say about it, for we read in the same report:

"In the early thirties, when prices of commodities were going down, the Commission insisted that utility rates should also be reduced, and important savings were accomplished in those years. . . . Toward the close of the decade, when the economic pendulum began to swing the other way and many prices began to rise, the increased earnings of the companies, together with various operating economies, made further reductions possible."

Now I am not naively suggesting that the regulators of our industry are going to throw overboard their "original cost less straight-line depreciation" doctrine, or their "prudent investment" doctrine, or whatever doctrine they may be basing their rate-making practices upon. I do not suggest, either, that they are

to be expected to adopt a rate of return which would be unrealistic in the light of the current money markets. I certainly do not think that, in the utility industry, it would be feasible to attempt to relate the return on the securities directly to the cost of living index. But it does seem that there is an ample scope in the regulatory process for the exercise of an enlightened judgment based upon a new look at the owners of the properties, and who they are, and their place and their equities in the social scheme. To be specific, I am suggesting in all seriousness that the regulators should consider, and consider well, the effects of every rate change upon the individuals whose money is invested in the shares of these utilities.

Already, at least one of the commissions has called attention to the fact that the utilities have a public duty to continue to expand their facilities, even at present high prices, in order to provide adequate service for their customers, and that the consumers must be prepared to pay rates reflecting such high costs. This is progress in the right direction.

Would it be too much to hope that some day, somewhere, some regulatory body, conscious of the true nature of the owners of the business—realizing that stockholders are people, and faithful to its original conception as a quasi-judicial body—would it be too much to hope that such a commission might say in its annual report, "During the past year, this Commission brought about no rate reductions whatever, in view of the rising costs of operations. Indeed, in the case of one company in the state, where rising costs threatened earning power, and hence the safety of the dividends which its X-thousands of of stockholders have been receiving regularly for the past X-number of years, the commission permitted a prompt and substantial rate increase. But we would point out that, based upon recent studies by various governmental agencies, the cost of service to that company's average user will constitute no more important element in the family budget than it did formerly, considering the recent rapid increase in the average family income." That is the end of my imaginary quotation.

Fantastic? Utopian? Well, maybe, so. But now that we are beginning to know who the stockholders actually are, we ought to try to make out a case for them.

Laird, Bissell Co. Adds

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange and principal commodity exchanges, announce that Schuyler A. Orvis, Jr., has become associated with the firm in its commodity department.

McEntire Confirmed

Richard B. McEntire of Kansas has been confirmed by the Senate to be a member of the Securities and Exchange Commission for a term to expire June 5, 1953.

Ryan, Moss & Co.

NEWARK, N. J.—The firm name of Ryan & Moss, 5 Commerce Street, has been changed to Ryan, Moss & Co. Partners are John J. Ryan, George G. Moss, and R. E. L. Lewis, Jr.

Robt. C. Jones Co. to Admit

WASHINGTON, D. C.—Charles C. Morgan will be admitted to limited partnership in Robert C. Jones & Co., Metropolitan Bank Building, members of the New York and Washington Stock Exchanges on June 17.

Lewis B. Hall Dead

Lewis B. Hall, Jr., partner in Dobbs & Co., New York City, died on May 29.

The State of Trade and Industry

(Continued from page 5)

except from those who have been warning since the end of the war.

To double check on the steel situation a survey was made last week by the editor of "The Iron Age" and he found no truth in reports that the appliance field was failing, that inventories were large and that sales were hard to make. What he found was (1) no appliance maker is getting the steel he wants, (2) there is no excess inventory in appliances except possibly hot water heaters and they are still moving, (3) sales forces are being used to sell the product being made which has picked up sales and created new backlogs, (4) the appliance field as a whole is roaring to a new high level, but only because makers and distributors have found that the public will not buy unless it can be shown that the product is good, reasonably priced and is needed.

What is true in appliances is true in other steel consumption groups, this trade authority points out.

Auto makers, because of the coal strike, will be steel hungry for months to come. When changeovers are complete there will be reports of shutdowns because of steel shortages.

The oil industry is still hard put to get anywhere near what it says it needs. The freight rate advance has cut off hundreds of users from regular sources in the past two years. These customers are "industrial orphans" wandering around the country trying to establish regular sources—at any cost.

In answer to the steel industry's chance of easing things up a little, the magazine adds, it is running everything it has without thought of when it will break down. Overtime is freely paid to keep maintenance to the point where equipment can be held at maximum output. Plans are being rushed for expansions—but the very steel demand which the industry is trying to fill is holding up delivery on new equipment.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 96.1% of capacity for the week beginning June 7, 1948, an increase of 0.1 point, or 0.1%, from last week. A month ago the indicated rate was 94.3%.

This week's operating rate is equivalent to 1,732,200 tons of steel ingots and castings as against 1,730,400 tons last week, 1,699,700 tons a month ago, 1,695,700 tons, or 96.9% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, the highest prewar year.

CAR LOADINGS RISE 9% ABOVE YEAR AGO

Loadings for the week ended May 29, 1948, totaled 904,848 cars, according to the Association of American Railroads. This was an increase of 25,690 cars or 2.9% above the preceding week. They also represented an increase of 74,643 cars or 9% above the corresponding week in 1947, which included Memorial Day, and an increase of 277,963 cars or 44.3% above the same week in 1946 when coal loadings were reduced by labor troubles in both the railroad and coal industries and by the Decoration Day holiday.

ELECTRIC PRODUCTION OFF, DUE TO HOLIDAY OBSERVANCE

The amount of electrical energy distributed by the electric light and power industry for the week ended June 5 was 4,845,458,000 kwh., according to the Edison Electric Institute. This was a decrease of 230,567,000 kwh. from the output in the preceding week and was the first week in 22 weeks that production fell below 5,000,000,000 kwh. This falling off was due mainly to the observance of the Memorial Day holidays. However, when compared with the week ended June 7, 1947 (which did not include Memorial Day), the turnout for the June 5, 1948, week showed an increase of 210,240,000 kwh., or 4.5%. The current figure is also the lowest reported since that for the week ended Jan. 3, 1948, when production totaled 4,868,011,000 kwh. (this latter period included the New Year's holidays).

AUTO OUTPUT THE PAST WEEK ADVERSELY AFFECTED BY MEMORIAL DAY

Production of cars and trucks in the United States and Canada touched a new low last week as a result of an 18,000-unit holiday loss with output estimated at 75,959 units from 92,772 (revised) units the previous week, according to "Ward's Automotive Reports." The previous low was 82,717 units in the week ended Feb. 7, last.

Output a year ago was 98,499 units and, in the like week of 1941, its was 133,645 units.

This week's output consisted of 49,370 cars and 21,024 trucks made in the United States and 3,450 cars and 2,115 trucks made in Canada.

FAILURES LOWER IN HOLIDAY WEEK

Commercial and industrial failures fell to 91 in the holiday-shortened week ending June 3, Dun & Bradstreet, Inc., reports. Although down from the preceding week's 112, they were a third heavier than in the comparable week of 1947 when 66 occurred and seven times the 13 in the same week of 1946. Despite the sharp rise from the mortality level in the past five years, casualties were only one-third as numerous as the 279 in prewar 1939.

Both large and small failures declined, with those involving liabilities of $5,000 or more off from 91 a week ago to 77 and with those involving liabilities under $5,000 down from 21 to 14.

This week's decline was sharpest in manufacturing, where 21 concerns failed against 38 in the preceding week, and in wholesale trade with nine, only half as many as a week ago. Retail trade mortality dipped from 45 to 40; this compared with 29 last year. An increase in casualties appeared in both construction with 11 and commercial service with 10.

FOOD PRICE INDEX CONTINUES TO CLIMB

The wholesale food price index, compiled by Dun & Bradstreet, Inc., gained another three cents last week to put the June 1 figure at $6.97. This marks the second consecutive rise for this index, following the slight downward movement of two weeks previous. The current level compares with $6.09 at this time last year, or an increase of 14.4%.

COMMODITY PRICE INDEX REFLECTS SLIGHT CHANGE FOR WEEK

There was little change in the level of wholesale prices during the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 285.53 on June 1, as against 285.30 a week earlier and compared with 255.71 on the corresponding date a year ago.

Grain markets generally displayed a firm tone last week.

Trading in grain futures on the Chicago Board of Trade, however, dropped to a daily average of 20,500,000 bushels, from 28,000,000 the previous week, and 40,000,000 in the like week a year ago. Wheat and corn prices held in a narrow range, the latter grain leading in volume of sales. Trading in wheat was light and prices somewhat depressed as the week closed due to reports of unexpected rains in southwestern areas. Harvesting of Winter wheat was reported under way in Texas and Oklahoma and the movement of the new crop was gaining momentum. Weather advices from the corn belt were mostly favorable with planting said to be virtually completed over a wide area. Livestock markets were irregular with steers continuing to trend higher, while hogs and lambs moved lower.

Hog receipts at Chicago last week were more than twice the number for the same week last year.

Lard prices averaged slightly lower with demand for cash lard limited and stocks reported on the increase. Trading in cocoa was more active and prices continued the sharp rise of the preceding week.

Cotton prices trended mildly upward last week following the slight downward movement of the preceding week.

Sales volume in the ten spot markets was smaller, totaling 38,000 bales for the week compared with 58,300 bales a week earlier, and 47,700 bales in the same week last year.

Other depressing factors included optimistic crop and weather news from the South and reports of some further curtailment in cotton mill activity.

Advances in the latter half of the week reflected replacement buying following an announcement by the ECA that it had authorized the purchase of cotton valued at $27,871,000 for shipment to participating countries.

Mill demand for the staple continued rather slack with buyers showing little interest for new crop cotton. The mid-May parity price for cotton was announced at 31 cents per pound, up 12 points from a month ago. Demand for cotton textiles remained relatively slow with a general weakening noted in prices of print cloths and other gray cloth constructions.

There was persistent demand for fine grade wools from the mills in the Boston market last week.

Buying activity in the western range States was reported slower with some manufacturers showing increasing resistance to higher prices for fine wools. Foreign wool sources reported still higher prices for all grades and types of wool with Russia one of the chief bidders.

RETAIL AND WHOLESALE TRADE ACTIVITY IN LATEST WEEK SHOWS SLIGHT VARIATIONS

Many consumers were encouraged to increase their purchasing of some seasonal merchandise in preparation for the long Memorial Day week-end. Retail dollar volume increased slightly during the period ended on Wednesday of last week and continued to compare favorably with that of the corresponding week a year ago, according to Dun & Bradstreeet, Inc. in its latest survey of trade. Picnic foods and Summer sportswear were sought in many areas.

Promotional sales helped to stimulate post-holiday buying with many shoppers eager for bargains.

Beach and vacation apparel was sought by both men and women and total clothing volume increased moderately. Cotton, linen and silk print dresses continued to sell well with demand for lingerie, hosiery and fancy blouses remaining large. Moderate gains in the purchasing of some types of men's clothing were offset by declines in the demand for haberdashery in some stores. Unit volume in many instances dropped below the level of a year ago.

There was a slight increase in the demand for food with picnic specialties, soft drinks and beer generally popular.

While the buying of fresh meats decreased somewhat, canned and processed meats were frequently requested.

Fresh vegetables and fruits sold well along with canned and frozen foods. Fresh fish, poultry and dairy products were steadily purchased. The demand for confectionery and baked goods was somewhat below the level of previous weeks.

Response to promotions of Summer furniture was favorable with slip-covers, draperies and bedspreads selling well. Nationally advertised furniture and major appliances remained in large demand, though a slight decline in the buying of radios occurred. Used car dealers reported a slight increase in volume and a moderate increase in the buying of automobile supplies and accessories.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 8 to 12% above that of the corresponding week a year ago.

Regional estimates exceeded those of a year ago by the following percentages: New England and South, 5 to 9; East, 6 to 10; Middle West, 10 to 14; Northwest, 12 to 16; Southwest, 11 to 15, and Pacific Coast, 3 to 7.

Buyer attendance at the wholesale centers dropped substantially in the week, resulting in a slight decline in wholesale volume. Wholesale dollar volume continued to compare favorably with that of the similar period of last year, but unit volume in many lines was below the 1947 level.

While buyers continued to stress quality at moderate prices, they were generally less cautious than a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended May 29, 1948, increased by *18% from the like period of last year. This compared with an increase of 7% in the preceding week. For the four weeks ended May 29, 1948, sales increased by 9% and for the year to date by 7%.

Here in New York inclement weather and the Memorial Day holiday worked to cut into the sale of seasonal merchandise.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to May 29, 1948, increased *23% above the same period last year. This compared with an increase of 8% in the preceding week. For the four weeks ended May 29, 1948, sales increased by 10% and for the year to date by 6%.

*The large increases over last year reflect in part the fact that this year stores were open for six business days whereas in the corresponding week last year stores in most districts were closed on Friday in observance of the Memorial Day holiday.

A Look at Utilities Earnings

(Continued from page 3)
relative to all corporations. The latter plunged into a deficit in each of the three years 1931, 1932, and 1933. The latest Treasury figures available are for the year 1945, but estimates made by the Department of Commerce, shown by the dotted line, indicate a soaring to establish new peaks in both 1946 and 1947. When considering the total of earnings of all corporations it is important to keep in mind that this total is a combination of the varying figures of all the innumerable kinds of business, and that it also combines the deficits of the corporations losing money with the net incomes of those making money.

This chart shows another comparison which is not so favorable to the electric utilities, and that is the relatively low rate of long-term growth in net income over the period, which will be referred to later.

Rate of Return on Net Worth of Leading Corporations in Electric Utilities, Manufacturing, Trade And Transportation

Figure 3 carries us from dollar figures of net income to percentage figures of the rate of return on net worth, the stockholders' equity after deduction of debts. Use of this measure enables us to make comparisons among various industries, showing the wide variations in the record. Most of these figures come from compilations made by our own bank. This chart summarizes from 1926 through 1947 the relative rate of return on net worth of leading corporations in electric utilities, trade, and transportation.

What this chart and the next two show particularly is the relative stability of the stockholder's return in electric utilities, as compared with other divisions of business. In Chart 3 it will be seen that trade corporations generally have earned more on the stockholder's dollar — 11.4% on the average over the 22 years, against 7.3 for the utilities — but that the utilities have held their earnings rate much more consistently. The range between their best year and their poorest was roughly from 9% down to 5% and back again. The transportation line consists principally of the Class I railroads, but includes also air transport, shipping, traction and bus. The 22 year average return of this industry has been only 3%. In four years in the '30s it had a deficit and in three others it was almost on the line. In the first two war years it earned more than the utilities but today it is earning less than any other major industrial group.

In Figure 4 we compare the return on net worth of the utilities with the simliar figure for all manufacturing industries and for the steel industry specifically. Against the utilities' long-term average return of 7.3%, the manufacturing industries have averaged 8.7%. But in five years of the period the manufacturing return was lower than the lowest point reached in any year by the utilities, and in one year, 1932, the manufacturing industries operated at a deficit. The steel industry ranks among the premier industries of this country, but it averaged only 4.7% over the 22 years. It operated at a deficit in 5 years, and in only 5 years out of the period did it earn a rate of return above that of the utilities.

Figure 5 completes the comparisons of return on net worth which I shall show and it brings into the picture the petroleum and cotton goods industries. The fluctuations in the earnings of these industries are truly feverish. Steel is frequently referred to as "prince or pauper," but the ups and downs in cotton goods are even more extreme, for this industry has operated at deficits even in some years when steel and railroads made money. From 1926 through 1940 its return was lower than that of the utilities in every year. Since then it has been higher every year. But its average over the years is only 4.1%, and only since 1940 has it earned a better return than the utilities.

The petroleum industry shows a deficit for only one year, and of course it has made remarkable earnings during the past year or two. But its average rate of return over the 22 years has not been quite as good as the utility average—6.9% against 7.3%—and its fluctuations as you see have been substantially greater.

These three charts, 3 4, and 5, in summary, show that the utilities have earned on the average somewhat less on their net worth than manufacturing and trade corporations. They have earned substantially more than transportation corporations, and more than certain major industries included in manufacturing. They also show a greater stability than any of the groups listed.

Shifting our viewpoint from the longer to the shorter term, however, these charts show that the big increases in return during these boom years have been made by the manufacturing and trade corporations and not by the utilities. The showing in manufacturing and trade may be described roughly as the result of selling more goods at advancing prices, and reaping inventory profits. The utilities, selling electricity at declining prices, do not enjoy this source of profit. The point to be noted at this time is that the utilities are competing in the capital markets with industries which temporarily at least are making a more brilliant earnings record.

Before leaving these charts we should remind ourselves of the limitations of return on net worth as a measure of earning power. In comparing utilities and manufacturing, for example, we must note that the former have a larger proportion of capital in the form of funded debt. The rate of return on total property investment is therefore a more significant figure in the case of utilities, and of course it is lower than that shown on net worth only. We have never compiled such figures for groups of manufacturing companies.

In all cases it must be borne in mind that net worth is based on balance sheet book values of assets. These values currently represent a gross understatement of the worth based on reproduction costs. The calculation of the return on book values therefore ignores the rise in the "corporate cost of living," or the shrinkage in purchasing power of the capital dollar, which is as much of a problem as the shrinkage in purchasing power of the consumers' dollar.

Profit Margin per Sales Dollar of Electric Utilities, Railroads, and All U. S. Manufacturing Corporations

The previous charts showed that the electric utilities' net income had not increased proportionately with its gross revenues. This reflects the narrowing of profit margin per sales dollar, as shown in Figure 6, which gives also the average margin for the railroads and for all manufacturing corporations in the U. S. The latter is based upon the Treasury figures, including some 80,000 manufacturing corporations, through 1945. The 1946 and 1947 plottings are estimated from the published reports of leading companies.

For many reasons the three lines obviously are not comparable. The utilities have a much larger investment per sales dollar, or conversely a much lower rate of capital turnover, than manufacturing, and hence must have a substantially higher profit margin. The chart nevertheless is interesting in indicating the trends in these different industries. Manufactluring has been in the red, the utilities never. But it would be hard to say that there is any long-time downward trend in the profit margins of manufacturing, which is clearly the case in utilities.

Indexes of Cost of Living and Cost of Electricity

This narrowing of electricity profit margins has come about from pressure upon both sides of the profit-and-loss statement. On the revenue side, there has been an uninterrupted reduction in the average unit selling price of your services, despite the substantial upturn in the prices of almost everything else. This is shown in Figure 7, showing indexes computed by the U. S. Department of Labor on cost of living (now called the "Consumer's Price Index") and the price per kilowatt-hour of all electricity produced by the private utility industry. Both indexes are based upon the 1935-39 average as 100.

At the present time, the general cost of living index is 68% above the average, whereas the price of

FIGURE I

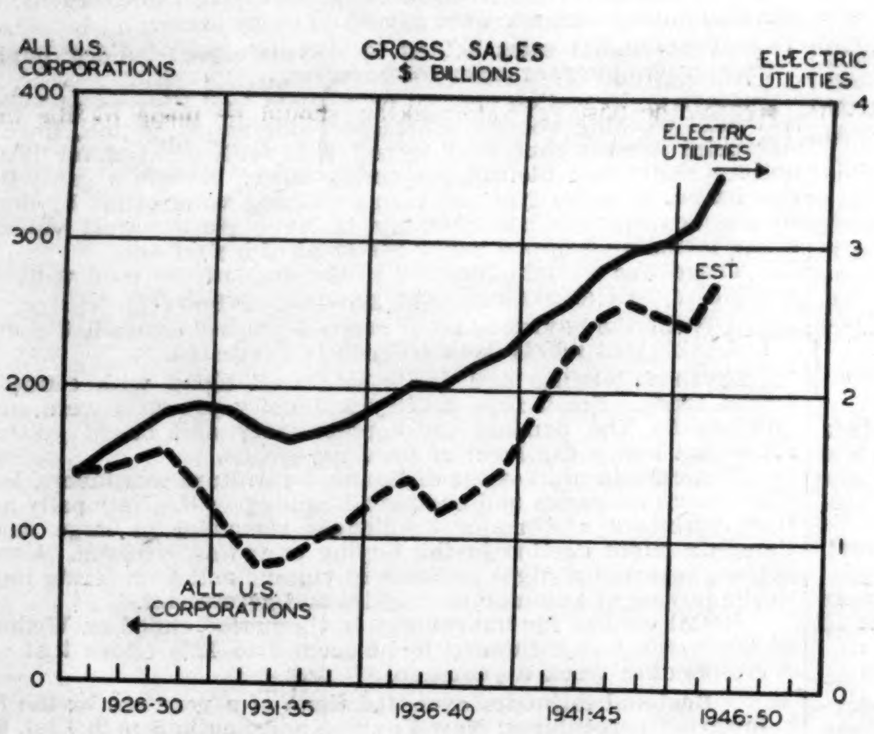


FIGURE II

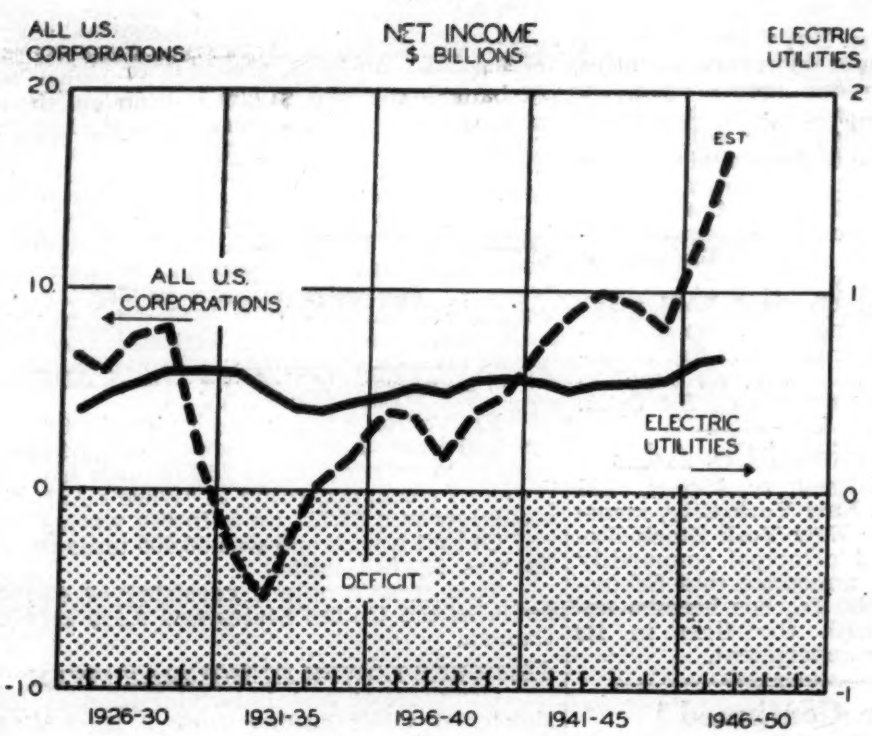


FIGURE III
RETURN ON NET WORTH
(Due to the large proportion of capital investment in the form of funded debt, rate of return on total property investment in electric utilities would be lower than that on net worth only.)

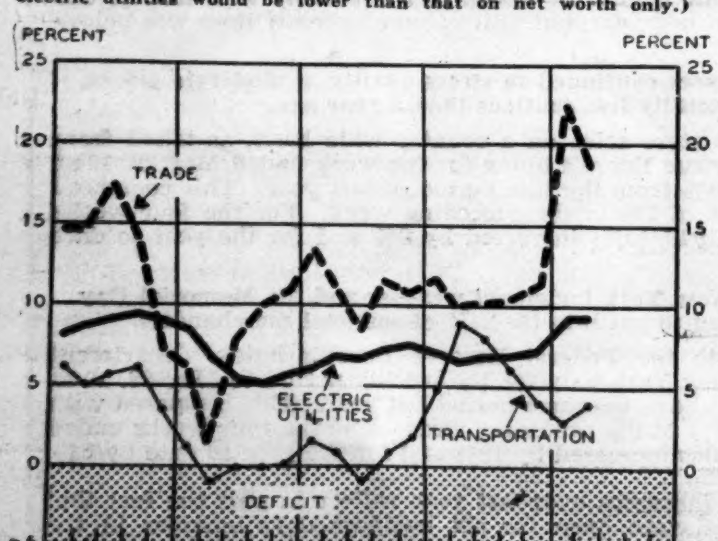


FIGURE IV
RETURN ON NET WORTH
(Due to the large proportion of capital investment in the form of funded debt, rate of return on total property investment in electric utilities would be lower than that on net worth only.)

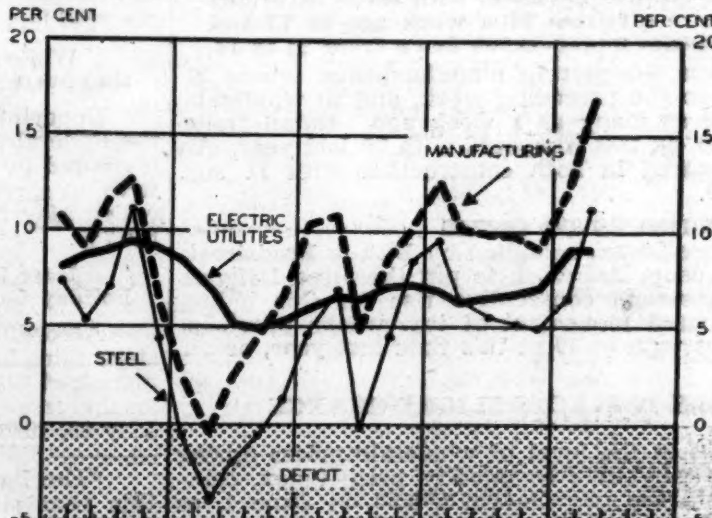
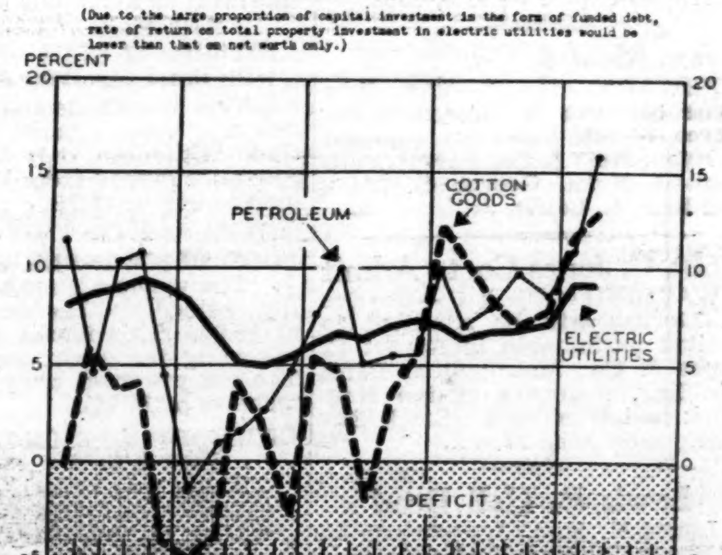


FIGURE V
RETURN ON NET WORTH
(Due to the large proportion of capital investment in the form of funded debt, rate of return on total property investment in electric utilities would be lower than that on net worth only.)



electricity is 30% below. This reduction in the price of electricity is a stupendous achievement. It is a triumph of management, engineering skill, technological progress and marketing policy. It is both cause and consequence of the growth of the industry. At the same time, however, it must be viewed with relation to the decline in profit margin just shown; to the effects of that decline in inhibiting improvement in net income and in rate of return on property; and in its general relation to the problem of raising new utility capital.

Major Expense Items of Electric Utilities

Pressure on the other side of the profit-and-loss account has come from the rapidly mounting costs, which are shown in Figure 8. These figures are shown not in index numbers, but in millions of dollars per year, and must, of course, be considered in relation to total revenues, which were also rising, but at a slower rate.

For the entire period covered by the chart, the most sensational increase has been in taxes. It doubtless surprises most people outside of the utility industry to learn that taxes since 1940 have been larger than any other expense item, even larger than total wages and salaries paid. Taxes are outside your control, and they were the principal cause of the decline in margins during the war years. The peak of taxes, however, was reached in 1943 and 1944, and wages and salaries have now caught up. The increases in this item and in fuel during the past two years have been sensational. Depreciation charges have grown steadily, along with the increase in total plant and equipment, and, of course, must grow more. The reduction in interest charges (at the expense of the bankers and investors in utility securities) has been a welcome, even if minor, offset to the increase in practically all other expenses.

Electric Utilities' Expenditures for New Construction, Compared With Depreciation Charges

Figure 9 shows another section of the utilities financial picture that is directly related to earnings, namely, the heavy expenditures now being required for expansion of plant and equipment. It will be seen that the annual depreciation charges, also shown on the slide, represent an internal source of funds that is substantial and steadily rising, yet is only a small fraction of the total supply of capital needed to finance new expenditures at the current rate.

Looking back at the period 1926-1930, expenditures for new construction average almost $800 million annually. In 1947 expenditures for construction were in the neighborhood of $1.3 billion, and for 1948 are estimated to rise to $1.8 billion.

The figures used in Figure 10 are not quite the same as those in the last, because they include gas utilities with the electric, and because the figures come from the Department of Commerce and differ in some details. They show the uses and sources of funds required by these utilities in 1947. They needed $2,100 millions, of which $100 million was to finance increased materials and supplies, $100 million for increased receivables, and $1,900 million for plant and equipment. The sources of the funds include $200 million of retained earnings, $500 million of depreciation, $100 million through sale of U. S. government securities, $100 million held against increased tax libilities, $200 million of bank loans, and $1,000 million of new security issues. The industry had to go to banks and to the security market to get a little more than one-half of the money it needed. That is a mesaure of its current problem, of its need to appeal to lenders and investors, of its need to protect its own health and the investment standing of its obligations.

Finally, Figure 11 is an attempt to sum up significant aspects of the record of the electric utilities as compared with all manufacturing corporations. Note that the figures used cover a ten-year period rather than the twenty years of the earlier charts, and that the bars simply represent percentage changes (1937-1947) for the two groups.

Look first at the columns on the right for all manufacturing corporations. These represent what I should call a normal and expected profit showing, following logically upon certain given developments. These corporations increased their gross plant and equipment 48%; they increased their physical output 66%; and with rising prices, they increased their total revenues 137%. Their net income improved by nearly 300%. This, I submit, is a logical sequence.

Now look at the utilities on the left. They increased their gross plant and equipment (as reported) only 14%. This is after write-offs of intangibles, and the increase in generating capacity was actually 26%. However, they had an 88% increase in total output. In other words, they made a much more intensive use of available capacity — relatively more intensive than that of the manufacturing corporations. From that point on the showing of the two groups diverges sharply. The utilities have been selling their product at declining unit prices. Whereas the revenues of manufacturers increased twice as much as the increase of physical output the revenues of the utilities increased less than their physical output, or only 71%. Net income increased still less, or only 31%.

It is to the implications of declining selling prices, rising costs and declining profit margins that we should now address ourselves. Business has grown. Revenues have grown. Plant has increased only moderately, and over most of the period it was financed out of depreciation and retained earnings without recourse to outside sources of capital. Rate of return was maintained. Meanwhile, however, the growth of operating income did not keep pace with the growth in business. To put the matter as simply as possible, growth in volume covered up trends which should now cause concern. The industry should have done better during a period of such high utilization of plant.

Now the industry requires a substantial amount of outside capital, perhaps $3 or $4 billion for a five-year period 1947-1951. To attract this additional investment on favorable terms, to support the increased overhead and capital charges, and to maintain a favorable credit position, operating income for the industry as a whole will have to increase. Plant additions financed not from retained earnings but from the sale of securities must show a rate of return sufficient to attract further capital in competition with the requirements of other industries.

An addition to net plant increases the base for rate making purposes, but such addition does not of itself provide increased operating income. Actual increases in operating income have to come from one or more of the following circumstances: (1) actual rate increases or (as may be the case at present) an end to periodic rate decreases, accompanied by continued growth in electric sales; (2) savings in operating costs arising from the replacement of less efficient generating facilities; (3) further increase in electric sales making for a high use factor of the added capacity; (4) a decline in the present high level of fuel and labor costs; (5) a decline in taxes.

The earnings record of the industry over the past twenty years is a tribute to its engineering, its management, to its success in developing growth by increasing its efficiency and reducing rates. Paradoxically, the decline in the margin of profit is in a very real sense a source of strength and a cause of progress, as long as the effects of rising costs and declining margins can be absorbed in growth.

Fortunately, the growth is not ceasing nor need we feel apprehensive that it will cease. Nothing is likely to stop it. However, it may slow down or even stop temporarily. Conservative investors are attracted by the industry's growth and stability. But they cannot feel entirely free of concern induced by declining margins. Should the industry ever approach a saturation point, a continuation of this long-term trend of margins would prove destructive. To maintain the attractiveness of utility securities for conservative investors, every effort should be made by the industry and by regulatory authorities to check the decline in the profit margin on sales.

FIGURE VI

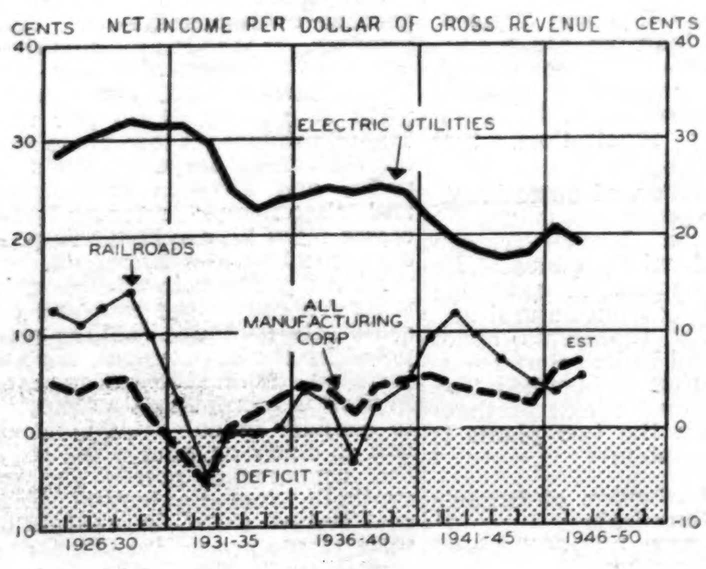


FIGURE VII

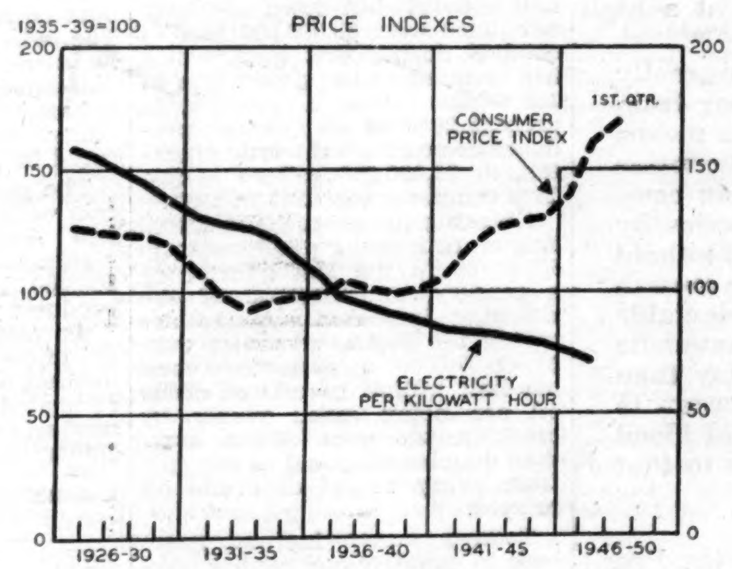


FIGURE VIII

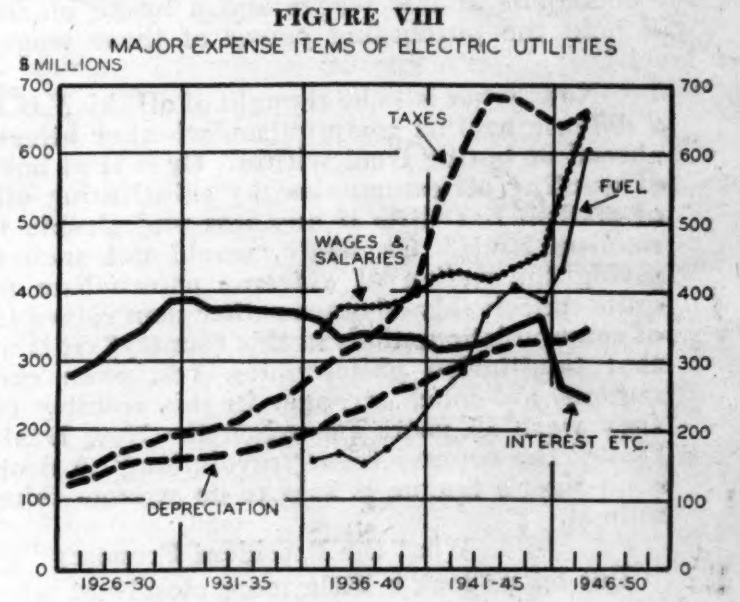


FIGURE IX

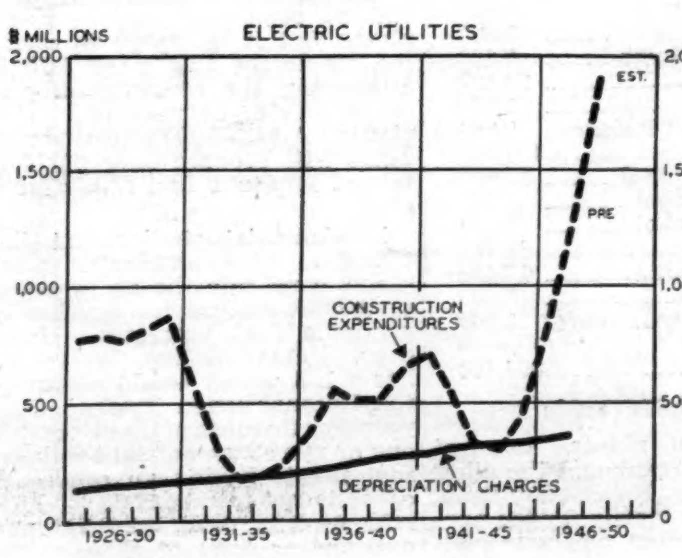


FIGURE X

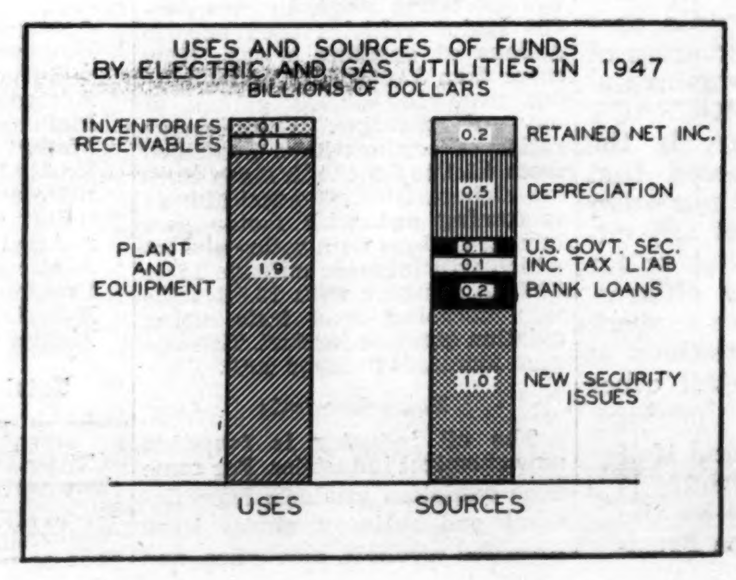
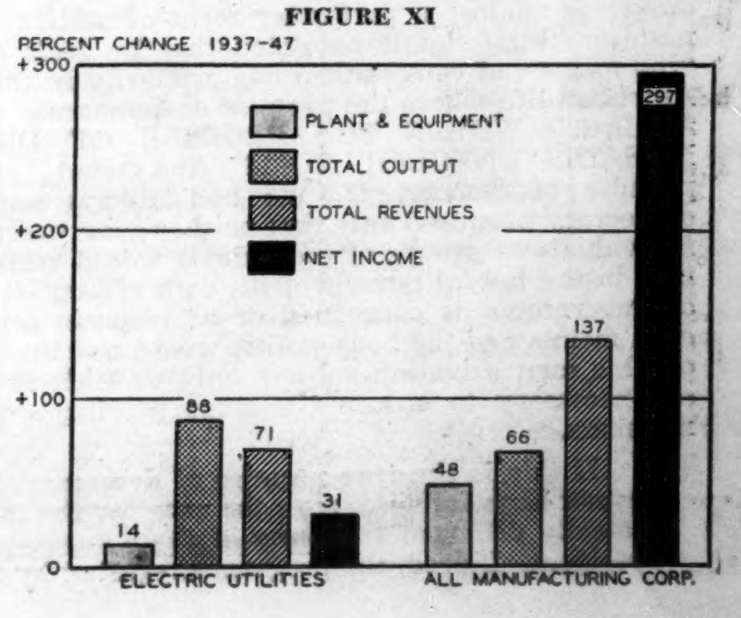


FIGURE XI



As We See It

(Continued from first page)

We are more than happy to give full support to the President when he tells the people plainly that such is the case.

The President, however, does not stop with eminently sensible comment on the subject. He has a cure, or cures, of his own. It is at these points that the thoughtful man will begin to have doubts, or so it appears to us. In very broad general terms, the procedures for combatting communism in Europe and elsewhere so ardently being promoted in Washington are so closely similar to those the President now enunciates for home use, it seems to us that this is a specially appropriate time to raise some fundamental questions about the social philosophy underlying all such reasoning.

Here in the main is the President's prescription:

"As far as the United States is concerned, the menace of communism is not the activities of a few foreign agents or the political activities of a few isolated individuals. The menace of communism lies primarily in those areas of American life where the promise of democracy remains unfulfilled.

"If some of our people are living in slum housing and nothing is done about it, that is an invitation to communism.

"If some of our people are forced to work at substandard wages and nothing is done about it, that is an invitation to communism.

"If some of our people are arbitrarily denied the right to vote or deprived of other basic rights and nothing is done about it, that is an invitation to communism.

"If some of our people do not have proper medical care, or opportunities for a good education, or adequate assistance in time of sickness, or unemployment, or old age, and nothing is done about it, that is an invitation to communism.

"And finally, if high prices are depriving some of our people of the necessities of life and nothing is done about it, that is an invitation to communism.

"Communism succeeds only when there is weakness, or misery, or despair. It cannot succeed in a strong and healthy society. The nations of western Europe, with our help, have checked the spread of communism by working together to build up their economies, improve the welfare of their peoples, and so strengthen themselves. If they can meet and defeat communism on its own ground, surely we can do the same.

"Let us adopt legislation that will provide our citizens with the homes they need, the opportunity for universal good health and universal free schooling, the extension of social security, the full rights of citizenship, an equal chance for good jobs at fair wages and a brake on inflation that will hold the purchasing power of these wages at a high level."

Now, what is to be thought of all this? Is this really a defense against communism, whether attacking from abroad or boring from within? Or is it at best a means of warding off communism by substituting other forms of statism but little if any less undesirable than communism itself? Or, again, would not such tactics by giving the notion of extreme paternalism a foothold quite conceivably advance rather than retard the growth of communistic notions in this country? It is undeniable that totalitarian philosophies, yes, even communistic notions, are much stronger in this country today than they were 15 years ago when the New Deal began to "save" the country from "revolution." A drop of blood on a tiger's tongue is said to do strange things to that animal.

What the President Proposes

But let us look a little more closely at what the President apparently wants us as a nation to do to safeguard ourselves against a particular form of statism, i. e., communism. First, let it be noted that he feels certain that "the menace of communism lies primarily in those areas of American life where the promise of democracy remains unfulfilled." WHERE THE PROMISE OF DEMOCRACY REMAINS UNFULFILLED!!! And what, pray, is the promise of democracy? We had always supposed that democracy promised only that neither government nor other individuals or groups of individuals would restrict any citizen in the lawful pursuit of his own affairs — that, so far as government is concerned or as respects other citizens, each member of the body politic would remain free to work out his own salvation subject only to such restrictions as are necessary to ensure the same privileges to all other members.

If this is the true promise of democracy, and if it has not been fulfilled, then the cure for the infirmity is radically different from any of those suggested by the President. Indeed, the program suggested by the President — which incidentally is nothing more or less than the same old New Deal pot pourri — is the very antithesis of the prescription of democracy as we have traditionally known it in this country. What he demands is not a fair field and no favor, but at bottom a forceful redistribution of income and wealth, a line of action which would excuse the individual from planning and providing for his own future. He would provide for the "underprivileged" by taking away from those who, despite it all, have provided or are endeavoring to provide for their own wants and their own security. This is a program precisely the opposite of any which is based upon the expectation that each individual will rely upon himself and undertake in a fair field to look after his own wants.

Note carefully the trend of the President's reasoning. He says that "communism succeeds only when there is weakness, or misery, or despair. It cannot succeed in a strong and healthy society." So, says he, we must "adopt legislation that will provide our citizens with the homes they need." So? Who, may we ask, is "we"? He is saying by plain implication that "citizens" can not provide themselves with the "homes they need." Now either these are all citizens to which the President is referring, and his entire program becomes merely silly — since his program then would be a proposal that the citizens provide themselves with the homes they need but which they are not able to provide themselves—or else they are only a portion of the citizens of the country, and the "we" who must provide them with their needed homes are the rest of us.

Where did the President and his advisers learn this type of social philosophy? The communists of Russia have for years been its most vocal advocates.

The Oil Industry: Yesterday, Today and Tomorrow

(Continued from page 8)

is carried by a stream of air to a reactivator where the carbon is burned off. The process has no internal moving parts, and operates continuously at a uniform temperature. Units are in operation having charging capacities from 2,500 to 30,000 barrels and one is being designed to process 42,000 barrels of gas oil a day. Sixty thousand tons of catalyst move around in some of the larger units every 24 hours. Some units have operated for a year and a half without shut-down and have circulated over 30,000,000 tons of catalyst during that time, which has resulted in the production of 180,000,000 gallons of gasoline. At present 20% of all gasoline produced comes from catalytic cracking, or 20,000,000 gallons a day. This compares with 2% in 1941.

Cracking processes have raised octane ratings of gasoline from 50 to 80 in the last quarter of a century, and because of the resulting increased mileage are saving the motoring public over $1,000,000,000 a year. Two and one-half billion barrels of crude oil are being saved yearly by cracking processes, which more than doubles the yield of gasoline from every barrel of crude oil refined.

Today's motor fuel surpasses both in quantity and quality anything dreamed of 40 years ago when motor cars appeared on the transportation stage. In 1905, 78,000 motor vehicles used 420,000 gallons of gasoline a day. Now more than 37,000,000 are consuming over 100,000,000 gallons a day of gasoline. Compression ratios of engines have increased from 4.5:1 to 6.5:1 with many having higher ratios. General Motors is coming out with motor cars having engines with ratios of 8.5:1 which will increase mileage 15 to 20%. An engine with 12.5:1 ratio is undergoing road tests, using aviation gasoline for fuel. This engine increases mileage 40%.

Petrochemicals

The oil industry is founding new chemical industries. For some time oxidation products from natural and refinery gasses have provided alcohols, aldehydes, and acids. One of the most widely used chemicals is ethylene from the cracking of petroleum and natural gas. It is used to make 100,000,000 gallons of ethyl alcohol a year, which is half of our entire production. It is the basis for anti-freeze liquids such as Prestone. Polymerization of ethylene produces the new resin called polythene which has many uses in radar and electrical insulation. It is the base compound for the manufacture of synthetic rubbers such as GR-S and Thiokol. The whole industry for manufacturing tetraethyl lead as an anti-knock compound in gasoline is based upon ethylene. There are many other illustrations that could be given.

The production of petrochemicals will be greatly expanded by two American Fischer-Tropsch plants, which will produce about 300,000,000 pounds of oxidation products yearly from natural gas. This quantity represents about 9% of the total United States production of these compounds. The estimated annual yields of these products from the two plants is shown in the table:

Estimated Production of Organic Chemicals

(000 omitted)

	Estimated Production lbs. year
Acetaldehyde	18,200
Propionaldehyde	3,860
n-Butyraldehyde	5,500
Acetone	22,400
Methanol	1,460
Methyl ethyl ketone	9,560
Ethanol	127,360
n-Propyl alcohol	28,800
n-Butyl alcohol	8,740
n-Amyl alcohol	2,120
Acetic acid	49,400
Propionic acid	17,400
Butyric acid	8,400
Methyl propyl ketone	1,200
Total	304,400

Synthetic Fuels

These two plants, one at Brownsville, Texas and the other at Garden City, Kansas, are being constructed primarily for the purpose of producing synthetic fuels from natural gas. Together they will make 15,000 barrels a day of gasoline and Diesel fuel. The natural gas is partially oxidized by oxygen to carbon monoxide and hydrogen, and the catalytic Fluid Flow process is then used to synthesize fuels and chemicals. The gasoline and Diesel oils will be of high quality. The two plants will process about 200,000,000 cubic feet of natural gas a day and will cost over $100,000,000.

Our natural gas reserves are close to 170 trillion cubic feet and the consumption is over five trillion annually. Natural gas discoveries are greater than our consumption.

The two plants for producing synthetic fuel from natural gas are the results of over 20 years of research by the oil industry. In studying the production of synthetic fuel from our coal and oil shale, the industry has also carried out reasearch in an orderly and systematic fashion. One company alone has spent over $35,000,000 in the past 20 years on synthetic fuel projects. Utilization of our coal and oil shale will naturally follow when, as, and if our petroleum reserves face depletion, which is certainly not imminent.

The known reserves of coal in the U. S. are 3,200,000,000,000 tons, over 98% of our total fuel reserves. Thus coal can ultimately be our largest source of liquid fuels. With increasing population and increasing consumption per capita, coal could assure us liquid fuel supplies for a thousand years. Utilization of coal for synthetic fuel production can proceed by the Fischer-Tropsch process or by hydrogenation, or both. In the Fischer-Tropsch process, coal is treated with oxygen and steam to produce a mixture of carbon monoxide and hydrogen which is then converted to liquid products by the Fischer-Tropsch process. The coal may be mined and processed above ground or the gas mixture may be made by controlled underground combustion. In coal hydrogeneration, high temperatures and pressures are used to convert it to synthetic fuel.

Our shale reserves constitute another enormous synthetic fuel resource. It is estimated that they can furnish something like 300 billion barrels of oil. Good shales yield 30 gallons of oil per ton. The oil produced is low-grade fuel oil containing large amounts of sulfur and nitrogen compounds, and "secondary" refining processes must be employed to produce gasoline and Diesel oil.

At the present time large-scale units for converting coal and oil shale into synthetic fuel, as proposed by the government, are not justified. The U. S. Bureau of Mines has been alloted $60,000,000 to conduct fundamental research and to study on pilot plant scale the commercial possibilities of synthetic fuel production from coal and oil shale. A number of pilot plants are in operation and others are in the design or construction stage. It will be a number of years before the work projected by the Bureau of Mines and oil companies will be completed and it is logical to await the results of this work before attempting the construction and operation of commercial size plants. A $4,500,000 experimental plant will produce only 80 barrels of synthetic fuel a day from coal.

Fundamental studies and the operation of experimental pilot plants constitute the orderly and systematic method for developing synthetic fuel processes. However, Representative Wolverton has a bill which would empower the Reconstruction Finance Corporation to construct and operate one or more commercial synthetic fuel plants having an aggregate capacity not to exceed 30,000 barrels a day, using a maximum outstanding fund of $350,000,000.

If the Secretary of the Interior, 12 months after the passage of the bill, does not consider that private industry has taken the proper steps to assure the development of a synthetic liquid fuel industry, he is required to certify to the RFC who "shall promptly undertake, by and under contracts with private industry, the construction and operation of such plant or plants . . ."

Not satisfied with the Wolverton proposals, our government is asking for the construction in the next five to 10 years of synthetic oil plants to produce 2,000,000 barrels of oil a day. Although government officials have requested from $8 to $9 billion for this purpose, experts in the oil industry estimate the cost to be as much as $30 billion.

The government program outside of the Bureau of Mines is considered highly premature. It seems unwise to design and construct commercial units until vastly more information is obtained from the Bureau of Mines and the oil industry pilot plants. An exceedingly important phase of the 2,000,000 barrels-a-day program is that it would require over 16,000,000 tons of steel which could more profitably be used by the oil industry. One of the reasons for recent spot oil shortages has been the lack of steel for expansion in all branches of the industry.

One of the chief obstacles in the use of coal for liquid fuel production at the present time is the additional tonnage that would have to be mined for synthetic plants. To produce 2,000,000 barrels per day of synthetic fuel from coal would require 470,000,000 tons of coal a year, about three quarters of our present production. Furthermore, there is a waste of 60% of the heating value in the manufacture of synthetic fuels from coal. Coal could still be used as mined wherever possible in order to utilize its full heating value instead of consuming 60% in the manufacture of liquid synthetic fuel.

There are other important items to be considered in synthetic fuel production. One is the question of technical and operating manpower, of which there is a shortage. Another is the need for constructing huge chemical plants for catalyst manufacture. An extremely important consideration is the need for establishing whole new cities near the plant sites, since much of our coal and oil shale is in the semi-arid regions of the West.

The economics of fuel production from petroleum, coal and oil shale should be carefully weighed. The actual cost of the proposed plants for producing 2,000,000 barrels per day of synthetic oil from coal and shale is greater than the total investment in all branches of the petroleum industry, which is now about $20 billion. The synthetic plants would produce only about one-third of the total petroleum output of the U. S.

Synthetic fuels from coal and oil shale would be much more costly than fuels from petroleum. High subsidies would be necessary if the synthetics were to be put upon the competitive market. Such a program is hardly an incentive for private industry to develop and market low-cost products. The oil industry would be in the unfair position of having to contribute through high taxes to competition against itself.

The oil business is one of our most stable and well organized industries. Its raw material sources are large. The industry is progressive both in its search for new sources of petroleum and its constant development of new processes and products. Should any real shortage of petroleum arise, the industry would not collapse, but as a result of its integrated research program, would be ready to supply liquid fuel requirements from other sources. As an investment, there is no better buy on the market today than the oil company stocks. They are at comparatively low prices. The records of steady dividend payments over the years and the increasing demands for their products establish oil stocks among the top-ranking securities. The oil industry deserves full support as a vital part of our national economy.

Looking Forward in Labor Relations

(Continued from page 11)

formula adopted by the parties for determining fair wages for two years, and the current wage increases resulting from this formula. Perhaps what may ultimately be the more important result was the development of a better understanding of the rights and responsibilities of the parties. We are hopeful that this understanding represents real progress. The agreements speak for themselves but it is worth noting that these agreements could only have been reached in an atmosphere of mutual confidence.

I am sure that those of you who are especially interested in union-management problems will find these agreements very interesting reading as much for what they leave out as for what they contain.

Copies of these agreements can be attained, as soon as they have been printed, by request to Mr. H. W. Anderson, Vice-President in Charge of the Personnel Staff, General Motors Corporation, Detroit, Michigan.

What Is Expected by General Motors

We believe that these agreements not only have approval of the Union leaders involved but that they were enthusiastically accepted by the workmen in our plants. We believe the whole General Motors organization, including all employees, is now pointed in the right direction and that benefits will accrue from these agreements not only to employees but to stockholders, dealers and customers. We expected to make important progress in all directions during the two years of stabilized operations underwritten by these agreements.

Many people have talked about the importance of cooperation in any matter involving the combined effort of a great many people. The importance of cooperation among the employees of a corporation perhaps is underestimated by many people. It is a fundamental requirement of a successful business. For example, it is easy enough to define a wage in terms of cents per hour or in dollars per week. It is difficult to define the effective work done for the money. Quality as well as quantity is involved. This is especially true in the case of progressive manufacture in mass-production industries. If the workmen in a particular plant are dissatisfied and unwilling to deliver a fair day's work, if they are non-cooperative with the supervision and the management, it is very difficult, indeed, or almost impossible, to establish efficient operation. As any of us who have had the experience know, one of the most difficult things to cope with in manufacturing operations is a deliberate slow-down. By passive resistance and in some cases outright sabotage the efficiency of the operation is destroyed. As a matter of fact the word sabotage comes from the French word "sabot" meaning a wooden shoe, and came about from the fact that many years ago when the men were dissatisfied in the factories in France where they wore wooden shoes, the wooden shoes unaccountably found their way into the machinery.

During the war the Germans took over Denmark. We have a plant in Copenhagen, and a new addition to it was just being completed at the time of the war. The Germans wanted the plant to take over, first, the maintenance and repair of aircraft engines, and later, the production of aircraft parts. This was resisted by the management although all kinds of pressures were brought to bear. The Germans finally commandeered the new plant and moved in equipment from Germany and attempted to repair aircraft engines and produce parts using Danish workmen under the supervision of Germans. Just about the time the machinery was ready to operate, the power plant unaccountably blew up. They had great difficulty getting Danish workmen to repair the damage and complete the tooling of the machines. It took almost a year and then nothing worthwhile came out of the plant. The Germans who were trying to run it became frantic. They finally gave up. The Danish workmen, who like other Scandinavians are independent, determined people, had beaten the Germans by their passive resistance and sabotage. From our experience with the same Danish workmen I am convinced that, if the Danes had wanted to do so, they could have learned how to produce quality parts and satisfactory aircraft engines in a relatively short time. I am citing this as an extreme example of what can happen when the workmen are totally out of sympathy with the policies and objective of the management.

General Motors Agreement Not Prejudicing Other Wage Negotiations

I realize that the terms of our settlements with the unions have not met with immediate unanimous approval, perhaps in part because they are not completely understood. I am sure that they have not unfairly prejudiced the collective bargaining in other companies and industries. If the formula as well as the non-economic provisions are understood, it will be found that perhaps some real progress has been made in establishing principles. Each corporation, each union and each industry can apply if they wish these principles to their own particular set of facts and conditions. The principles should not embarrass anyone.

While press comments generally have been quite favorable a few have been frankly critical. For example, "Barron's Financial Weekly" and the "United Mine Workers' Journal" both promptly objected to the basis for determining far wages adopted by General Motors, the UAW-CIO and the UE-CIO. I am sure that they did not object for the same reasons. Frankly, I am personally encouraged by criticism from such extreme points of view, and I feel that perhaps we have found a safe middle ground and have developed workable criteria for establishing wages in collective bargaining agreements.

I would like to ask the editors of these publications the same questions that I have asked many executives, both inside and outside of General Motors, during the last few months. Only if these editors can answer them would I feel that there is any validity in their criticism.

(1) What is a sound basis for determining wages?

(2) How do workmen get their real wages increased as the years go by so that they reasonably share in the prosperity of America? Can they only accomplish this by strikes and threats of strikes?

(3) If we said "No" to the request for wage increases at this time in face of the recognized increase in the cost of living, how could we explain to 275,000 General Motors workers that while we were asking them to accept the lowest standard of living they had had in eight years we were at the same time selling our cars for hundreds of dollars less than they knew the market was willing to pay for them? For me, this was a $64 question. I could think of no way of making such a position appear reasonable and fair to the employees, nor could anyone else I talked to.

Essentials of Wage Formula

I would like to again point out the essentials of this wage formula.

(1) It did not establish a national pattern of so many cents per hour. We do not believe in uniform national wage patterns. If through the years such patterns are set by a few of the large corporations and all industry is forced to follow them through powerful union pressure, we will in effect have national bargaining. Collective bargaining will then have failed and some other means will have to be found for determining wages of union workmen.

(2) We adopted the 1940 relation of our average wages per hour and the cost of living as a sound basis from which to project current wages.

Such a 1940 relation was used as a base for wage control during the war. Perhaps the validity of this base might be challenged in certain industries and in certain companies. As far as we were concerned, the Unions and ourselves thought it was fair as applying to our situation.

(3) We adopted the Consumer Price Index of the Bureau of Labor Statistics as the most reliable and available measure of the changing cost of living.

(4) We thought it was reasonable to maintain the purchasing power of an hour's labor during the term of the agreement. Security of earning power is a natural desire of workmen as well as of all other citizens.

(5) If wages were permanently tied to the cost of living, then the standard of living of workmen would be frozen. Union workmen as well as others can properly expect to participate in the prosperity of America. The annual improvement factor of 3 cents an hour (approximately 2%) we though we could reasonably underwrite for the people employed in our business for the two years of the agreement. Others may agree on a different improvement factor as applying to their business or may not formalize the amount at all. Something like this has been going on at a varying rate for at least 100 years. Otherwise the standard of living of American workmen would not have increased as it has and normal working hours could not have been reduced from 60 or more to 40.

It is well to remember that this annual improvement factor based on technology and better tools can be dissipated by featherbedding, made work and inefficiency so that it cannot also be paid out as additional wages by employers. It should not be overlooked that in addition to the annual improvement in real wages for a particular job individuals have full opportunity to further improve their economic status by qualifying for better and higher paid jobs.

In the absence of union agreements wages are more flexible than when they are determined for definite periods by such agreements. A study of the past, particularly of periods of full employment when demand exceeded supply, would lead such a student of the past to conclude that present high wages were more the result of fundamental inflationary pressures created by the war than of unreasonable pressure of powerful international unions of which the public is as conscious due to the annual strikes and threats of strikes. Neither the union leaders nor the General Motors executives who negotiated the agreement believe that it is necessarily inflationary. Neither do they take the position that it is deflationary.

An effective measure could have been taken several years ago to avoid the inflation that has occurred. We should have taken several years to get back from the 48-hour war-time work week to the pre-war 40-hour standard. In this way the relative purchasing power of workmen could have been maintained at close to wartime levels without important increases in costs and prices. Apparently our national policy could not be changed rapidly enough to put such a practical plan into effect. The opposition of unions generally and of some manufacturers prevented a clear understanding of the merits of this idea. Apparently it is now too late to do anything about it, especially in such a political year.

I have heard some economists state that one reason food and clothing prices are so high is because the production and prices of durable goods are relatively so low that expenditures for these items are not absorbing the normal proportion of the total national income that is usually spent for such items in periods of high employment.

I read a paragraph in an editorial in the New York "Times" referring to our settlement and I am going to read it to you in closing. It seemed to me to indicate a clear understanding of both the problems involved and the essence of the agreement:

"It would be a good deal less than accurate to say that, from the standpoint of national economic well-being, the General Motors settlement has produced the perfect formula. The perfect formula, if we are thinking in terms of an antidote for inflation, would relate wage increases directly to production rather than to the cost of living. But as an instrument of company-wide economic and social justice it has a great deal to commend it."

Otto Culman Dead

Otto Culman, for the past 10 years with Bacon, Stevenson & Co., New York City, died at his home at the age of 52.

Mrs. Saul Schwamm Dead

Mrs. Elizabeth Lichten Schwamm, a partner in Schwamm & Co., New York City, died at her home of a coronary thrombosis. Mrs. Schwamm, the wife of Saul Schwamm, the senior partner, was 41 years old.

Scholle Brothers to Admit

John J. Gerdau will become a partner in Scholle Brothers, 40 Wall Street, New York City, members of the New York Stock Exchange, on June 18.

J. S. Hope Partner

SCRANTON, PA.—J. S. Hope & Co., First National Bank Building, is now doing business as a partnership, with J. Stanley Hope and C. K. Hope as partners.

Hamlin & Lunt Admit

BUFFALO, N. Y.—Thomas W. Mitchell will become a partner in Hamlin & Lunt, Marine Trust Building, members of the New York Stock Exchange on June 17.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market points to mild reaction. But it can become more than that. Stops, now, more important than ever.

* * *

If there is anything certain about the market it is the fact that there is nothing certain about it. This sounds like double talk, I know. But anybody who's been in the market for any length of time will know it's true.

* * *

A few weeks ago the bells rang with the news that we were in a new bull market. The familiar averages had penetrated the closely watched high points; the market forecasters had wired their clients to buy. Everything was lovely. The only questions left were what to buy.

* * *

It was all very easy. In fact it was so easy that I stepped back and advised readers that profits were made in selling, not the buying. To casual readers this too must have sounded like double talk. For how can you take profits unless you buy. Regular followers were already long, so the talk of profits wasn't mysterious. In any event the advice to sell was specific. Only trouble was the prices at which profits were to be taken were too optimistic. So later I changed a few by raising the stops.

* * *

During the past week a few of these stops were taken. This is what happened: You had **Douglas** at 52. You sold half at 61 and bought back the half at 59. In the first lot your gross profit was 9 points. With the repurchase your cost of the entire lot was reduced to 55. When stock subsequently broke 57½ and you were stopped out the profit was a gross of 2 points.

G. L. Martin also was sold when it broke 18½. Having bought it at 15 your profit was about 3½ points.

This leaves you with **Lockheed** bought at 15, stop at 21, which is still okay; **United Aircraft** bought at 15 with a stop at 27½. In case the stop is broken (it applies to only half your lot) you buy it back at 25 with a stop at 24.

Anaconda, Avco, Bethlehem, Caterpillar and **Dresser,** are still alright. They don't act better or worse than the market. With the exception of **Avco,** which will be a slow mover, the advice applying to them which appeared here May 13 still goes.

Bethlehem, bought at 31, should have half of it stopped at 32. **Caterpillar** bought at 55. Stop half at 61 and buy it back at 58. **Dresser** at 22, should have half stopped at 24½, buying it back at 22 or better.

Anaconda, bought at 32½ has an old stop at 35 for half a lot. If broken, repurchase at 32 or better.

* * *

If from the above, you get the impression that I'm not wildly enthusiastic about the market, you'll be right. Technical reactions are nice excuses. But I like profits, not excuses.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

IBA Appoints Boehmler Dir. of Pub. Education

CHICAGO, ILL.—The appointment of Erwin W. Boehmler as Public Education Director of the Investment Bankers Association of America was announced at the Spring Meeting of the Board of Governors of the Association by Julien H. Collins, Julien Collins & Co., President. Prior to joining the IBA staff, Boehmler served as director of training and public relations for George Fry & Associates, consulting management engineers.

He was formerly financial feature editor and manager of the statistical department of "Chicago Journal of Commerce" and on the staff of Sheridan, Farwell & Morrison, Inc., investment counsellors, is a Past President of the Investment Analysts Club of Chicago, and has been admitted to the Illinois Bar.

For the past 18 years Boehmler has been engaged either full time or part time in college teaching and administration in the Chicago area, and is continuing as professorial lecturer in finance at Northwestern University School of Commerce. He is editor and co-author of a text on financial institutions that is being prepared by members of the finance department at Northwestern University.

IBA Convention To Be Held Dec. 5-10

The 1948 Convention of the Investment Bankers Association of America will be held at Hollywood Beach Hotel, Hollywood, Fla., Dec. 5 to 10.

Steel Supply vs. Demand—A Continuing Struggle

(Continued from page 9)

This authorized the President of the United States to enter into voluntary agreements with Industry for the purpose of curbing inflation in those fields where shortages exist and meeting emergencies which affect our national economy. The Steel Industry took immediate and constructive action.

The Department of Commerce, which was delegated to carry out the provisions of the Act, was informed of the Industry's willingness to cooperate. A Steel Industry Advisory Committee was appointed by the then Secretary of Commerce, Mr. W. Averell Harriman. The Advisory Committee caused to be prepared and subsequently endorsed by the Industry, the procedure by which deserving programs may be approved and activated. It is under this procedure that freight car builders currently secure from steel producers, on a voluntary basis, the steel needed to meet the requirements of the freight car program . . . it is under this procedure that other programs are being given similar assistance.

What must be avoided is a multiplicity of departmental procedures and of steel allocating units within the Government. That is certain to result in lost motion from overlapping of functions and duplication of effort. Another essential is to establish a single qualified group capable of studying, screening, authenticating and certifying each claimant's request, be it submitted through departments of Government or from any group in Industry. This is necessary to insure that only those items warranting special consideration are referred to the Steel Industry.

Superiority of Voluntary Cooperation

Two alternative methods immediately present themselves—the voluntary method and the method of complete Government control. The first is the voluntary method which follows the technique already in use in the Department of Commerce, designed to carry out the provisions of Public Law 395. This procedure provides a channel through which claimants may qualify for special assistance. It provides for study of individual programs, screening, authentication, certification and finally allotment on an equitable basis to all producers.

This method is essentially fair. It is practical first, where a limited tonnage is involved; second, where the total tonnage is diversified as to product mix; and third, where the total requirement of any one product is well within the Industry's ability to produce that particular product. Just so long as the tonnage taken off the top leaves sufficient for practical operation of our civilian economy, the plan can be made to work.

Admittedly, there is always the possibility that the number and size of the programs may in time necessitate cutting of a large number of consumers of a single product or shutting down certain producing units in order that semi-finished steel may be used for more essential products. Then, and not until then, should we even consider the second method—complete Government control of production and distribution.

At present no authority exists to proceed in this manner, except that granted under Title III of the Second War Powers Act.

This section of the Act provides controls on tin, tin products, antimony, and several non-metallic products. It also vests in the President the authority to assign priorities and to control materials required for export; and to control materials necessary for the manufacture and delivery of materials, required for export. These requirements must be certified by the Secretary of State and approved by the Secretary of Commerce.

No Need for Government Control

To return our economy to a controlled basis requires legislation. This authority has been requested by President Truman on two separate occasions—first on November 17, 1947 and, again, on Jan. 7, 1948. The Congress has as yet signified no willingness to take such action, and political observers believe there is little likelihood of it before the Congress recesses.

Under present conditions, there is no necessity for such legislation. If the task is to be performed, the voluntary method must be used. In recognition of this fact the Industry has already recommended to the new Secretary of Commerce, Mr. Charles Sawyer, that the following steps be taken:

First, that the Steel Division, operating under Public Law 395, be enlarged to a size adequate to take care of all programs, defense, foreign and domestic.

Second, that the Division be staffed by experienced personnel.

Third, that legal clearance be obtained for the individual assigned to the several tasks and clearance be given the companies by whom these men are now employed.

Finally, that a Screening Committee be established to pass on the validity of the claims for special help.

A study of those programs which have already appeared and those most likely to make an early appearance includes the following: export to the sixteen nations qualifying for help under the European Recovery Act; export to nations other than those so qualifying; needs of the Army, Navy and Maritime Commission; freight cars; oil and gas; atomic energy projects, and housing.

The total tonnage required for the foregoing amounts to approximately 17 million tons, to be shipped during the next twelve-month period. Total tonnage currently flowing to the same end uses is estimated at some 13 million tons annually. Hence the total foreseeable dislocation will approximate four million tons.

The Industry long since expressed its complete willingness to attack this problem. It awaits no further word than that the programs are authentic and essential.

Who today dares predict the demands the Industry will face tomorrow? If, in God's wisdom, a state of preparedness, by itself, shall enable our nation to avoid another conflict, you may be sure the Steel Industry will make whatever sacrifice is required to produce that state of preparedness—and not too little nor too late. If on the other hand, it becomes essential that our might as a nation, for the third time within a period of less than four decades, must again be thrown against the powers of aggression, I am certain, and I know each of you is equally certain, that the Steel Industry will again become a citadel of the forces of right.

Our stewardship carries grave responsibilities.

However sobering these responsibilities may be, they constitute an inspiring challenge.

Hard-Boiled Utilities Regulation In New York State

(Continued from page 7)

sion purporting to direct the write-off of the water rights and other intangibles, and made this comment:

"The reasonable exercise of the powers of the Commission would seem to require that it pass on this wide variety of subject separately rather than to grant a proper request of a utility company only upon its consent to observe the Commission's order concerning an extraneous matter. The penalty in the statute seems adequate to enforce the performance by the utility of proper orders without recourse to coercive or punitive conditions attached to the granting of reasonable requests."

Markets will not now permit the company to refund some of its outstanding bonds, as was planned in 1947. It has had to incur substantial bank loans for expansion. Approval for these by the SEC was necessary, which was granted on the condition that common stock dividends to the company's parent be limited, while the notes are outstanding, to the amount of capital contributions its parent might make. Contemplation of a further increase in unsecured indebtedness necessitated approval of preferred stockholders at a special meeting, since the company's charter sets limits on unsecured borrowing without consent of the preferred stockholders, that will now be exceeded.

Long Island Lighting, in its proposed reorganization, has sought to consolidate its subsidiary companies, Queens Borough Gas & Electric and Nassau & Suffolk Lighting. The management proposed to allocate new securities on a basis giving weight not only to property value but also to earning power, similarly to the procedure approved by the SEC in other recapitalizations.

The Commission, however, has apparently resented the SEC's intrusion in the case, and has insisted that new securities be allocated solely on the basis of the depreciated original cost of the properties concerned. It argued that since rates are based on a rate of return on property, property is the only proper determinant of value.

Manifestly this contention gives no weight whatever to the fact that certain types of property cannot under optimum conditions earn a satisfactory rate of return, particularly in the case of gas property, where, under more settled market conditions, high rates may encourage the use of competitive fuels. In this case the earning power of Long Island Lighting itself (which has most of the electric property in the System) has been demonstrated to be greater than that of the two subsidiaries. It would seem only logical that this factor be given consideration as the management had planned to do.

In proceeding with the Long Island case, the Commission has again run into an adverse court decision. Practically the same points are at issue in the case of Kings County Lighting, also undergoing recapitalization, almost all of whose common stock is owned by Long Island Lighting. In March the U. S. Circuit Court of Appeals in New York ruled not only that the SEC has powers overriding those of the Commission, but that earning power constitutes a fair value basis for determining allocations in a reorganization.

The opposing views of the SEC and the Commission, and their battle for jurisdiction, have delayed the Long Island Lighting reorganization to the point of exhaustion of the preferred stock-

holders. Recently a new preferred stockholders group was formed to attempt to effect a separate reorganization of Long Island Lighting itself because of continual difficulties encountered in the consolidation.

Retroactive Depreciation

Prior to 1938, utilities in New York State were required, by the uniform system of accounts, to carry reserves for retirements based on the "retirement reserve" method of accounting. Naturally, the rates they charged the public were based on the rate of return given by earnings after such reservations, on property reduced by such reserves. As of Jan. 1, 1938 these accounts were reclassified as reserves for depreciation, and the companies were required thenceforth to make accruals on the "age-life straight-line" basis. However, the Commission then insisted that the same basis be applied retroactively to reserves accrued prior to 1938, causing sizable charges to surplus, despite the fact that the earlier accruals had been made with the Commission's sanction.

Therefore, it appears that investors prior to 1938 were led by Commission sanction to consider as equity in property sizable amounts that the Commission has now decided never existed. In the case of Consolidated Edison, for example, the engineer employed by the Commission estimated "shortages" in depreciation exceeding $160,000,000; the company set this up in an "Unearned Surplus-Special" account, reducing the stated value of its common stock by a corresponding amount.

It is interesting to note that Commission approval of Niagara Hudson's proposal to consolidate its subsidiaries was given recently only on the condition that a write-down of some $70,000,000 be taken. Of this amount, more than $43,000 000 represents retroactive depreciation arrived at by an engineer employed by the Commission.

In its decision in the Rochester Gas & Electric case, the Appellate Division annulled on the law and the facts the Commission's determination of a $10,669,749 "shortage" in depreciation. The Commission has served notice of appeal, and it is hoped that the final adjudication will settle the matter of retroactive depreciation once and for all.

Other Commissions Are Different

In contrast to the situation of New York State Electric & Gas, utility companies in many other States have been permitted to finance plant expenditures in advance, sometimes investing in Government bonds until the funds are actually needed. For example, Public Service of Indiana has recently completed financing its estimated requirements through 1950. It is of interest to note, furthermore, that less than a month and a half elapsed between the date of its last application for approval of financing and the actual offering of securities.

The comments of the Massachusetts Department of Public Utilities, in various cases during the past year, are interesting to examine:

(1) "In general, except in so far as certain rates may be basically unjust or inequitable, it is not the function of a regulatory Commission to substitute its ideas of rate structure for those of the management. Within certain limits, of course, the decision of those most familiar with local conditions must be final, so long as the overall net revenues do not represent more than a fair return on the company's prudent investment." (Re Springfield Gas Light Company. D. P. U. 7709. July 25, 1949.)

(2) "This Department is required to see that capital receives a fair return, and no more, on its property. If that return is decreased . . . to the point where it is no longer fair and reasonable, we are required to see that the rates charged to the public are correspondingly increased. These propositions are firmly imbedded in the organic law of this country." (Re Worcester Gas Light Company. D. P. U. 7643. May 29, 1947.)

(3) "Future needs of the petitioner are such that its present revenues do not appear to meet those needs. In the absence of such relief as is here sought, the petitioner will be handicapped, in our judgment, in seeking new venture capital to finance the acquisition of the new plant necessary to give adequate service to the public. Such relief is necessary in order to enable the company to pay a dividend which would assure its financial stability." (Re New England Telephone & Telegraph Company. D. P. U. 7750. July 24, 1947.)

(4) ". . . it is unnecessary and in many cases undesirable that a rate schedule be designed slavishly to follow costs, since many other factors must be taken into consideration in rates in addition to costs." (Re Lynn Gas & Electric Company. D. P. U. 7642. May 19, 1947.)

The reader will find some differences in the tenor of the above citations from that of the following quotation from the New York Public Service Commission's decision last year in the case of Brooklyn Borough Gas Company (Case 12994. Aug. 6, 1947):

". . . there is no proof to establish that the proposed distribution of increased costs among the various service classifications and the rate blocks in each one is just and reasonable. The question before the Commission . . . is not alone whether the company is entitled to increased revenues but whether the new schedules which they propose are just and reasonable. . . . The Commission has no alternative but to provide for temporary rates which will produce increased revenues and give (the company) further opportunity of meeting the statutory burden of proof and, through our own staff, make an analysis of the company costs to determine to what extent the alleged increases prove to be needed by actual experience and how the increased revenues should be raised."

The Copper Outlook

(Continued from page 12)

certainly in a deficit status, estimated at something over 820,000 tons. The Rhodesian and African mines can undoubtedly be stimulated to meet the anticipated increase in consumption in Europe by furnishing their properties and transportations systems with modern equipment purchased through the Recovery Plan. These are the historic sources through which European needs have been met, and it seems to me most important that they continue to meet the demands of the participating nations. By the same token, we should continue to import from the historic sources which have provided copper imports to the United States to the end that greater stabilization be assured in future. There is a very delicate problem of adjustment involved in European supply as well as in continuity of the flow of copper that our own needs may be met, and it seems to me that there are two important factors which justify comment in this particular.

In the first place, our own security demands that we take steps to conserve copper resources in our hemisphere so that in the event our shipping lanes are interfered with in the event of war, there will still remain access to available copper supplies. In the second place, there is the factor of the need for an adequate defense stock pile. While the Stockpiling Act of 1946 made provision for stock-piling under the direction of the Army-Navy Munitions Board whenever practicable in the light of the needs of American industry, the Board until recently had done little toward accumulating such a stock pile of copper. The needs of industry and for consumption generally have been so great, top priority, so to speak has been accorded to civilian use. It is entirely possible that Army-Navy stock pile needs will receive priority attention for a considerable period ahead. In addition to the sum of $200 million in appropriations available for stock-piling needs previously provided, the President in April sent a message to the House calling for contract authorizations of $375 million extra. The message expressly stated: "This contract authorization is required to permit the Bureau of Federal Supply to enter into long-term contracts for strategic and critical materials so as to increase the supply available for stock-piling and other essential needs." Testimony before the House committees indicates that some 90% of the 67 strategic and critical materials required for the national stock pile are obtained from foreign sources. In view of the limitations of domestic production of copper it is not unreasonable to expect that our stock-piling authorities will enter the world market and seek copper from whatever sources available, even to the point of long-term contract guaranties to producers in the Belgian Congo and Rhodesia. How extensive the buying program will be and how urgently it will become effective are military secrets, but that such procurement will have its impact upon the available supply from foreign sources cannot be doubted.

It is possible that such factors actuated the Department of Commerce to report in its Domestic Trade Digest: "It is too early to forecast with certainty the order of magnitude and demand sequence in 1948 for copper, copper and brass mill and wire and cable mill products for domestic requirements and foreign aid. It is quite likely that these will create a supply-demand position which may require the expansion of a series of controls. Controls, however, must be designed so as to be sufficiently flexible in order to permit prompt variance to meet export conditions. It is quite probable that the current price for copper will hold firm in 1948. Copper buying programs by dollar-enriched countries must be safeguarded in order to forestall a recurrence of world price spirals."

Domestic industry, whether as producers, fabricators or consumers will unquestionably insist that "controls" are not required in this country. The evidence would seem to justify opposition to domestic controls and I am confident that Congress contemplates no reimposition of powers in this field. Foreign controls, through export licenses or through other devices, over the beneficiaries of American economic aid may well be considered appropriate. Free and unlimited use of our own funds in the hands of such nations could easily lead to derangement of the price structure. It is my personal belief that our authorities are not unmindful of this phase of the problem and that the needs of the peoples of many nations simply to survive are much more cogent than the possibilities of their constituting an economic threat to us. One cannot help pondering, however, what the results will be over a period of years if our program really succeeds.

The only other legislative proposal which currently may enter the scene from the Washington viewpoint involves the incentive or premium price plan. On June 30, 1947, the subsidy program developed during the war came to its end, and Congress passed a bill providing an additional 2-year plan. The President vetoed the bill last August saying that there is no adequate reason for continuing to subsidize the output of copper, lead and zinc, and that we cannot regard this plan as a permanent part of our economy. He concluded: "It is clear that the changes in employment and other adjustments which are necessary at the time of the plan's termination, whenever it occurs, can be made more readily and with less hardship in a period of high employment and business activity such as the present, than at any other time. Consequently, this seems to be the best time for making this inevitable postwar adjustment."

The House Committee on Public Lands has brought out a measure to provide for a Mine Incentive Payments Division in the Department of Interior, to handle the premium price plan for copper, lead, zinc and other metals. Development and conservation payments would be made by the RFC for strategic and critical minerals except those which the Munitions Board advise are not needed for stock-piling, and the program would include exploration payments in addition to development and conservation payments. Payments would not exceed $80 million per year under this program, designed to terminate on June 30, 1952. Proponents of the bill point out that when a mine able to function under the premium price program cannot compete at present prices without a subsidy, the mine may cease to operate. It may be kept in a stand-by condition or allowed to deteriorate completely. If it be kept in a stand-by status, the mine must be pumped and timbered. The enormous cost of dewatering various mines in the event of a national emergency not only could not be borne by the particular owner but, as a practical fact, it might be a matter of years before a mine can be dewatered, be properly shored and equipped with hoists, shaft houses, compressors and other equipment. Thus, it is argued, it is good insurance for the government to keep such properties in productive status. However, the discovery and development of new ore bodies will most likely occur in extension of veins already known to exist. As is so often the case on highly controverted matters of policy, there are arguments both ways on the subsidy plan. It seems to be the fact, so far as copper is concerned, that possible yield would not exceed 5 or 6% of our annual production from other domestic sources. In any case, industry would not benefit from the plan so much as would the government itself if faced by emergency conditions, and in any such event, we might sadly need production from whatever source available.

In summary, no expert in government or in industry with whom I have talked expects a slackening in the demand for copper for years to come. None expects that our domestic production of primary copper will greatly exceed 875,000 tons or that scrap be available in amounts much greater than 120,000 tons per year. Our continued foreseeable deficit on the industrial front will likely enough be increased because of possible export and certainly through the stock-piling needs of national defense. While there have been technical advances in exploration and discovery, it takes years and large capital to improve output. Labor conditions, the amount of water available, and many other factors enter into production and thereafter, price. One certain course is open to us, and that is that we import as much copper as is possible, as cheaply as possible, as soon as possible. Outright repeal or a long-term suspension of the excise tax on copper imports is essential. Reduction of the tax from four cents per pound to two cents per pound affords no adequate answer in that the import price will lead to increases of the domestic price as well. If all factors remain constant, if all production continues on schedule, at best there will be just about enough copper to go around. At worst, if some unforeseen circumstances shall occur to reduce available supplies, there can be a serious shortage. Viewed from Washington, the copper situation is tight—and it can be tighter.

News About Banks And Bankers

(Continued from page 25)

The board of directors of the **Lincoln Rochester Trust Company of Rochester, N. Y.**, has promoted Assistant Vice-President Luke T. Smith to the office of Vice-President and Manager of the Rochester Trust Office. It is learned from the Rochester "Times-Union" of June 1.

* * *

Ralph A. McIninch, Vice-President and Trust Officer of the **Union Trust Co., of Providence, R. I.**, was elected President of the **Merchants National Bank** and Vice-President of the **Hillsborough County Savings Bank**, both of Manchester, N. H., at a meeting of the board of directors and trustees of the respective institutions on June 3 advices in the "Providence Journal of June 3 which added:

"Mr. McIninch succeeds the late Harry L. Addition and assumes his new duties about July 1.

He started as a messenger in the bank he will now head as President, in October, 1927. He was appointed Assistant Trust Officer in 1936.

In April, 1942, he went with the Federal Reserve Bank of Philadelphia as a bank examiner, and in October, 1945, was elected Assistant Trust Officer of the Union Trust Company here. In January, 1947, he was elected Vice-President and Trust Officer of the bank.

* * *

Edward N. Stanley, 89 years of age, dean of bankers in New Britain, Conn. died on June 2. In a sketch of his career the Hartford "Courant" of June 3, said in part:

"Since 1937, Mr. Stanley had been Chairman of the board of the **Savings Bank of New Britain** and until a year ago, when he was taken ill, he had been active in the banking institution which he rejoined in 1907 as Treasurer.

"He began his banking career 70 years ago as a runner and office clerk with the **Savings Bank of New Britain** and left there two years later to become a bookkeeper and later a discount clerk at the New Britain National Bank He then was made Cashier, holding that post for 12 years before repoining the Savings Bank as its Treasurer on March 1, 1907. In 1922, he became the bank's President, holding that post until 1937 when he was elevated to the board Chairmanship as Noah Lucas became President.

* * *

Thomas C. Boushall, President of **The Bank of Virginia**, announced on June 5 that Doyle and Russell, with offices in Norfolk, won the bid for the erection of the building of The Bank of Virginia at Charlotte and Boush Streets. Erection is to go forward as rapidly as possible and occupancy is expected late in 1949.

Investment Trends Affecting Utilities

(Continued from page 4)

the interest and attention of any typical investor. I find that among those ten operating companies there were five that between 1939 and 1947 had either slightly increased their per-share dividend rate or had held it at least even. But there were also five out of the ten in which the per-share dividend rate was lower in 1947 than it was in 1939. For the entire ten companies, the average of these dividend changes amounted to a decline of 6% in the per-share dividends paid in 1947 over 1939.

Now, if you take into account the fact that the persons who received these dividends were subject to the same change in the value of money as I have mentioned previously, we find that in real value the stockholder in those operating companies was from 40 to 50% worse off in 1947 than he was in 1939, although the actual number of dollars paid out in dividends, the nominal dollars, had not changed except to the extent of 6%. The purchasing power was changed.

It is common practice in investment circles to refer to utility common stocks in this manner: Well, if you want a good steady income, utilities are all right. Buy a good utility common stock for a steady income. You don't have to worry about income; they will keep on paying a dividend. That is fully true. I don't question it in the least. But there has not been been any stability in the purchasing power of the dividend, and hence the real value of the dividend has lacked this element of steadiness which is supposed to be fundamental to the utility common stock.

That may be all right for the past but it is not all right for the future. It is not all right when a utility undertakes to raise new equity money and goes out to the stockholder or the prudent investor today and tries to make an appeal to that investor to put new capital into a stock offering, because that prudent investor has a right to ask some very penetrating questions. He has a right to know whether the company in question is interested in trying to give him a dividend over a period of years that will have stability, not only in the nominal sense but in the sense of the real purchasing power.

The time has come, I believe, when this will prove to be a vital factor in the raising of new capital by the equity route.

There are severaal concepts and ideas which stand in the way of accepting this point of view, and one is the fact that for years now leaders in the utility industry have been pointing with pride, and justifiably so, to the splendid record of this industry in being able to lower the unit price of the product at a time when all other prices were going up. I say it has been a fine accomplishment, and I am not in any way criticizing the way in which the point has been made in the past. But I say I think the time has come when the utility industry had better stop pointing with pride to this deflationary trend in the price of its product. The time has come when the industry can no longer afford to operate on that basis, render the right service to its customers and do justice and play fair with the investors who put up the capital for the business.

In other words, a change of attitude has got to come with in the industry itself on this question of the price trend of the product of the industry.

To put this in a slightly different way, I find among investors today a tendency to challenge the right of the utility industry to ask for new equity capital because the investor will say, "This is a period of wonderful expansion. I hear about a six billion dollar program over a period of three or four years. I hear about all of the things that are being done bordering on a miracle of increased facilities for power of all kinds. But," says the prudent investor today, "will you please show me to what extent all this expansion benefits me as a common stockholder in an electric light and power company."

He has got to have some pretty definite sign that he gets a benefit. Well, he has the benefit of the time-honored axiom, a stable dividend, but stable only in nominal dollars, not in the purchasing power of the dollar. That is no longer enough to attract equity capital in adequate amounts in the utility field.

Who does get the benefit of this great expansion of facilities? As far as the investor can see, I think the consumer gets the benefit, the consumer of the power. The stockholder has not had an equitable share of the benefits of this great expansion period in the utility industry, and therefore the stockholder is ready to issue a kind of challenge that if he is to put up new equity capital, the question of equitable sharing in the benefit of future growth and future expansion must be faced and must be given a different answer from the one that has prevailed during the last few years.

Let us consider the question, what ought the stockholder to expect to count on? What is fair for him to seek in the future in order to feel that a utility equity attracts him if he is going to put up new capital for that utility? First, he ought to see a prospect not only of a stable dvidend but of an increasing dividend to compensate for the risk of the changing value of money.

Second, he ought to see earnings sufficient in a utility so that the coverage of his dividend is a generous coverage and gives him confidence in the continuity of that dividend.

Now, the kind of earnings coverage that he has, has got to bear some relation to the earnings protection that is found in other lines of industry. For instance, in manufacturing industries generally today, the corporation is paying out about 45% of earnings, but in many of the leading operating companies in the utility field, the pay-out is 75 to 80% of earnings, and in some cases higher than that.

Now, the utility which seeks to raise new capital in the equity market is in competition with all these other lines of business, where the earnings coverage over and above dividend is more generous than that which applies in a typical operating utility company. And it is very difficult to meet that competitive situation unless the utility is permitted to earn more money so that the protection of the dividend is more thoroughly assured than it is at the present time.

I say that is what the stockholder is entitled to ask for, that is what he is entitled to get, that is what he should receive, if an appeal is going to be made to him to put up large quantities of new equity capital.

Now, as against this I find many people are blaming the small amount of new equity financing on various scapegoats, of which the principal one is taxation. It is said that the individual surtax rates prevent people from saving equity capital. It is said that corporate earnings are subject to what is in effect double taxation. There are various other faults that are found with the tax system, and the utilities can't raise equity capital because taxes are wrong. Well, I will happily join with any group who want to criticize the tax system. There is a lot of truth in blaming the shortage of equity capital on bad taxes, but in the present state of affairs I believe that tax alibi is considerably overplayed, and I think the difficulty and problem of raising new equity capital in the utility field would be with us and would be just about as acute as it is now even if the tax question were pretty fully taken care of and pretty fully solved.

I say that because I believe that the problem here is not merely a question of whether the investor has the equity capital available, but it is a question of whether he wants to put it in this particular type of equity. It is a question of the quality of the equity that is being offered. And I believe that the shortcomings of the equity in the utility field today are due to the heritage of the last 10 years or more in the philosophy of rate regulation, and I believe that with that philosophy in operation at a time when the value of money has been changing, at a time when the expansion of the industry has been so great, has brought us now to a juncture of affairs where something has to give way. And I say the rate structure has to give way.

Well, one might say "Why hasn't this movement started? Why hasn't it started more obviously, more aggressively? Why can't we see signs more generally of an active trend toward a different style of rate adjustment?"

I think there are several reasons why it hasn't happened thus far. One of these reasons is because up to this point the economies that management has brought about in operation and the growth factor, the expansion of revenues, have tended pretty well to absorb the higher operating costs, higher labor costs, higher coal costs, and so on. So far these have been absorbed, but we are about at the end of that rope. Moreover, a great many managements have been very reluctant to make any move as yet because they have counted on the technological improvements in the new capacity that was installed to keep lowering their costs and keep them one jump ahead of the inflationary trends that were always worrying them on the cost side.

Now, I pay a great respect to the technological improvement in the new capacity, but I think the people who have been depending on that to save them from a wholly different attitude toward rate structure are going to be gravely disappointed. I think they are going to find that they are behind the procession because I don't believe that this technological improvement is going to be sufficient to solve the problem for a great many of the operating companies.

Now, I suppose more obviously there is another reason why this movement has not taken on any great force just yet, and that is the natural inertia of an industry, the reluctance to make application for rate increases, the feeling that there is something rather dangerous in public relations if a company goes to the Public Service Commission and explains why it needs better rates. There can always be a counterattack—propaganda attack, smear campaign — it is a public relations problem and people are timid about getting into that.

I think that explains why this movement has not progressed very far or become very widespread up to the present time. But I think that we are right now, in the Summer of 1948, going through a very important transition from the timid and reluctant attitude on the rate question to one of boldness and initiative and leadership on the rate question. I think we are in the middle of that transition now.

Now, as we move along over the next six to twelve months, I think we would find a number of things developing which confirm this new trend in the rate structure, and I shall mention just a few of these things that I think I see in the offing.

First, I think that management itself is going to change the whole public relations approach on this question of the trend of the price of electrical energy; this boasting about the down-trend in the price of power as against the up-trend in the price of everything else under heaven has reached a point where it serves a negative and harmful purpose in getting the utility industry to take a realistic and constructive approach to the rate problem of today and to morrow.

The second thing is that it is necessary to make an attack upon a school of thought that has more or less power in this country, some of the political power, some of the kind of influence that accumulates at certain times—there has got to be an attack on the idea that the consumer of power should be the sole beneficiary of this great period of expansion in the electric light and power industry.

The next thing that has to happen is a new kind of emphasis, that is, on the positive side; the emphasis has got to be in connection with rate structure and raising capital.

The telephone industry has taken quite a strong lead in the development of this type of thinking. The basis of application in the telephone industry for rate increases during the past year has very largely been the necessity of such rate adjustments for purposes of capital raising.

Now, the introduction of this new idea, this new logic, requires a great deal of imaginative and creative thinking. I think that it is on the way in the electric light and power field, and I think the precedent that has been established, the trail that has been blazed by the telephone industry, is very important and will have a very considerable effect on the mental processes employed in this industry.

Now, if there was doubt about this, if there was some legitimate reason for saying, "Oh, well, don't get excited about this. After all, this will get straightened out," I think that doubt was rudely brushed aside last week when one of the leading automobile companies sort of shook the world with its wage deal, its wage settlement. Up to that point a considerable amount of very constructive work had been done in the electric equipment field and the steel industry to hold the line on wages this year—no increase, stop it, cut prices rather than increase wages, fight inflation, hold the line. But one leading automobile company broke away from that pattern. It created a situation that leaves us today in a very uncertain frame of mind—the possibility of a third round of wage increases, a bigger round than seemed at all necessary, now has to be faced and entertained, and I believe it is fairly fair to say that if there is going to be a third round of wage increases following substantially the pattern now in the automobile industry, that the third round of wage increases necessitates the first round of rate increases for the utility industry.

The utility industry absorbed the first round of wage increases and the second round of wage increases and took it in stride by economies, by efficiencies, by growth and expansion of revenues —they absorbed the first and the second rounds, but the third one, if it is to be similar in scope to the precedent now established in the automobile industry, cannot be absorbed by the utility industry under present rates.

So the third round of wage increases, assuming that they are of the nature of those now established in the Detroit area, will speed up and put great pressure on the trend toward a new and dynamic theory of rate adjustment in the electric light and power industry.

Well, let me make very clear that I am not advocating this afternoon any reckless scramble for rate increases, and I certainly don't want to suggest at all that the electric light and power industry should go out and add to all the inflationary pressures that exist—not at all—but there is strong need to keep a great many things in balance, and in this industry the balance is being rather seriously challenged at the present time by the discrepancy between rate structure in the electric light and power industry and the price level, price structure, throughout all the rest of the economy. And that has got to be changed—not in any revolutionary way, but in the sense of leaders in this industry just becoming conscious of the problem of balance and deciding that each one will be willing to do his part in trying to maintain that balance, and where it has been violated to get back to it.

Now, if the utility companies themselves don't take that initiative, I should be very much afraid that others outside the industry would criticize them and perhaps even try to force such a lead on management. I noticed over last weekend that one of the New York papers carried a statement—this was a quotation from one of the SEC Commissioners—I assume this was correctly reported; I haven't verified it; but the Commissioner is reported to have said, "The only reason investors did not take more common stock of utilities in 1947 is that more was not offered."

Now, it is possible that that is not merely an invidious remark. It is possible that that carries a lot of implications that would be well worth exploring. I can well imagine that more utility equities could be sold if more were being offered, but I am not at all sure it would be a good thing to sell more utility equities today because I think that the investor has got to be considered not only as a source of money but as a source of good will. Of what avail is it to put over a deal, to say yes, we put out a hundred thousand shares of common stock, we got away with it—then a year or two or three years later find that the people who bought that common stock are not happy with the deal they made?

Now, I say that if we are going to try to sell more common stock in the utility field, we must do all within our power to make sure that that stock has been surrounded with proper safeguards, with the economic protection to which a common stock is entitled if it is to appeal to the prudent investor, and we must have in mind not only our ability to sell the stock but to keep it sold and to keep it sold to a satisfied, prudent investor. And we have come to the point in this great post-war period where rate increases are necessary in order to give the equity investor the protection which he needs if he is to put up the new capital and to keep the utility industry in a sound and well-balanced financial position.

Diamond, Turk Co. Admits

Diamond, Turk & Co., 30 Pine Street, New York City, members of the New York Curb Exchange, have admitted Harry J. Thaler to partnership.

Joins Allen C. Ewing & Co.

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, N. C.—Charles J. Bekaert is with Allen C. Ewing & Co., Murchison Building.

With Amos Sudler & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — George S. Casey is with Amos C. Sudler & Co., First National Bank Building.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 13	96.1	96.0	94.3	96.9
Equivalent to—					
Steel ingots and castings produced (net tons)	June 13	1,732,200	1,730,400	1,699,700	1,695,700
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	May 29	5,451,650	5,439,200	5,413,450	5,024,350
Crude runs to stills—daily average (bbls.)	May 29	5,715,000	5,587,000	5,570,000	5,034,000
Gasoline output (bbls.)	May 29	17,827,000	17,248,000	16,681,000	14,956,000
Kerosine output (bbls.)	May 29	2,144,000	2,129,000	2,236,000	2,066,000
Gas oil and distillate fuel oil output (bbls.)	May 29	7,054,000	7,106,000	6,932,000	5,774,000
Residual fuel oil output (bbls.)	May 29	9,508,000	9,284,000	9,343,000	8,953,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 29	107,185,000	106,934,000	111,632,000	95,326,000
Kerosine (bbls.) at	May 29	15,250,000	14,885,000	13,394,000	12,509,000
Gas oil and distillate fuel oil (bbls.) at	May 29	38,641,000	37,333,000	35,224,000	34,120,000
Residual fuel oil (bbls.) at	May 29	55,146,000	54,452,000	50,829,000	45,550,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 29	904,848	879,158	891,638	830,205
Revenue freight rec'd from connections (number of cars)	May 29	710,489	698,067	722,781	689,318
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 3	$135,055,000	$189,903,000	$113,317,000	$121,077,000
Private construction	June 3	91,229,000	99,513,000	48,691,000	48,970,000
Public construction	June 3	43,826,000	90,390,000	64,626,000	72,107,000
State and municipal	June 3	37,338,000	70,636,000	41,353,000	39,297,000
Federal	June 3	6,488,000	19,754,000	23,273,000	32,810,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 29	13,815,000	*13,720,000	13,870,000	11,996,000
Pennsylvania anthracite (tons)	May 29	1,198,000	1,183,000	1,128,000	835,000
Beehive coke (tons)	May 29	138,100	*148,200	91,300	124,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	May 29	296	295	300	250
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 5	4,845,458	5,076,025	5,087,264	4,635,218
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	June 3	91	112	108	66
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 1	3.24473c	*3.24473c	*3.24473c	2.85664c
Pig iron (per gross ton)	June 1	$40.53	$40.53	$40.11	$33.15
Scrap steel (per gross ton)	June 1	$40.66	$40.66	$40.42	$31.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 2	21.200c	21.200c	21.200c	21.800c
Export refinery at	June 2	21.450c	21.425c	21.425c	23.000c
Straits tin (New York) at	June 2	103.000c	94.000c	94.000c	80.000c
Lead (New York) at	June 2	17.500c	17.500c	17.500c	15.000c
Lead (St. Louis) at	June 2	17.300c	17.300c	17.300c	14.800c
Zinc (East St. Louis) at	June 2	12.000c	12.000c	12.000c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	June 8	101.50	101.56	100.88	104.34
Average corporate	June 8	113.31	113.31	112.56	116.80
Aaa	June 8	118.20	118.00	117.60	122.29
Aa	June 8	116.22	116.02	115.82	120.22
A	June 8	112.56	112.56	111.81	116.41
Baa	June 8	106.92	106.92	105.69	109.24
Railroad Group	June 8	108.70	108.70	107.62	111.44
Public Utilities Group	June 8	114.27	114.27	113.89	118.60
Industrials Group	June 8	117.20	117.00	116.22	120.84
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	June 8	2.39	2.39	2.44	2.21
Average corporate	June 8	2.99	2.99	3.03	2.81
Aaa	June 8	2.74	2.75	2.77	2.54
Aa	June 8	2.84	2.85	2.86	2.64
A	June 8	3.03	3.03	3.07	2.83
Baa	June 8	3.34	3.34	3.41	3.21
Railroad Group	June 8	3.24	3.24	3.30	3.09
Public Utilities Group	June 8	2.94	2.94	2.96	2.72
Industrials Group	June 8	2.79	2.80	2.84	2.61
MOODY'S COMMODITY INDEX	June 8	426.8	426.4	415.0	398.3
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	June 5	238.8	238.0	236.4	216.3
Fats and oils	June 5	285.4	279.2	290.7	214.6
Farm products	June 5	267.6	265.9	254.9	245.4
Cotton	June 5	357.5	358.5	349.4	347.7
Grains	June 5	266.1	263.4	266.6	259.2
Livestock	June 5	259.2	257.1	240.4	227.6
Fuels	June 5	231.4	228.6	228.6	172.2
Miscellaneous commodities	June 5	175.5	177.2	175.2	158.4
Textiles	June 5	213.7	214.2	213.5	216.4
Metals	June 5	165.2	165.2	163.5	150.6
Building materials	June 5	229.9	232.9	232.2	187.2
Chemicals and drugs	June 5	158.6	158.6	155.6	154.7
Fertilizer materials	June 5	134.2	136.1	136.3	124.2
Fertilizers	June 5	143.8	143.8	143.7	134.6
Farm machinery	June 5	139.4	139.4	138.9	125.3
All groups combined	June 5	224.0	223.3	219.9	196.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 29	180,297	170,701	201,340	181,398
Production (tons)	May 29	191,650	189,359	192,731	177,998
Percentage of activity	May 29	100	100	102	98
Unfilled orders (tons) at	May 29	352,013	363,959	397,407	511,918
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 4	147.2	146.9	146.7	144.6
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	May 29	164.4	163.5	162.6	147.4
Farm products	May 29	193.0	189.2	186.9	178.4
Foods	May 29	178.0	177.2	177.5	161.6
Hides and leather products	May 29	187.6	188.6	188.0	166.5
Textile products	May 29	149.5	148.6	148.1	138.5
Fuel and lighting materials	May 29	133.8	133.7	132.6	104.1
Metal and metal products	May 29	156.6	156.6	157.2	142.3
Building materials	May 29	196.9	196.6	195.2	178.0
Chemicals and allied products	May 29	134.8	135.6	133.7	126.4
Housefurnishings goods	May 29	144.7	144.7	144.4	129.5
Miscellaneous commodities	May 29	121.0	121.4	121.3	116.1
Special groups—					
Raw materials	May 29	180.8	178.6	176.8	161.1
Semi-manufactured articles	May 29	152.6	152.5	153.7	143.1
Manufactured products	May 29	159.1	158.7	157.9	142.5
All commodities other than farm products	May 29	158.1	157.8	157.2	140.7
All commodities other than farm products and foods	May 29	149.3	149.2	148.7	132.3

*Revised figure.

	Latest Month	Previous Month	Year Ago
AMERICAN ZINC INSTITUTE, INC.—Month of May:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	72,742	70,330	73,930
Shipments (tons of 2,000 lbs.)	71,718	72,649	70,803
Stock at end of period (tons)	43,934	42,910	166,864
Unfilled orders at end of period (tons)	71,018	71,691	51,418
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S.—U. S. DEPT. OF LABOR—Month of March:			
All building construction	$627,942,000	$414,339,000	$384,815,000
New residential	324,696,000	212,728,000	207,987,000
New non-residential	221,840,000	141,188,000	111,904,000
Additions, alterations, etc.	81,406,000	60,423,000	64,924,000
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS RECORD—Month of May:			
Total U. S. construction	$535,184,000	$777,159,000	$514,343,000
Private construction	247,018,000	391,268,000	282,328,000
Public construction	288,166,000	385,891,000	232,015,000
State and Municipal	223,644,000	271,005,000	159,373,000
Federal	64,522,000	114,886,000	72,642,000
COKE (BUREAU OF MINES)—Month of April:			
Production (net tons)	4,736,912	*5,976,748	5,820,569
Oven coke (net tons)	4,490,766	5,652,540	5,382,830
Beehive coke (net tons)	246,146	*324,208	437,739
Oven coke stocks at end of month (net tons)	646,281	715,527	651,671
CONSUMERS PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1939=100—As of April 15:			
All items	169.3	166.9	156.2
All foods	207.9	202.3	188.0
Cereals and bakery products	171.0	171.0	153.4
Meats	233.8	224.7	202.6
Dairy products	205.8	201.1	178.9
Eggs	184.7	186.3	176.3
Fruits and vegetables	217.4	206.9	200.4
Beverages	204.4	204.4	189.5
Fats and oils	191.4	191.7	227.8
Sugar and sweets	173.6	174.4	179.3
Clothing	196.4	196.3	184.9
Rent	116.3	116.3	109.0
Fuel, electricity and ice	130.7	130.3	118.4
Gas and electricity	93.9	93.8	92.5
Other fuels and ice	166.7	166.0	143.8
Housefurnishings	194.7	194.9	182.5
Miscellaneous	147.8	146.2	139.2
COTTON SEED PRODUCTS—DEPT. OF COMMERCE—			
Crude Oil—			
Stocks (pounds) Apr. 30	58,472,000	87,096,000	48,039,000
Produced (pounds) Aug. 1 to Apr. 30	1,156,619,000	1,089,080,000	890,605,000
Shipped (pounds) Aug. 1 to Apr. 30	1,149,107,000	1,066,578,000	887,523,000
Refined Oil—			
Stocks (pounds) Apr. 30	168,750,000	182,206,000	211,855,000
Produced (pounds) Aug. 1 to Apr. 30	1,024,431,000	933,610,000	804,679,000
Cake and Meal—			
Stocks (tons) Apr. 30	92,080	86,060	127,171
Produced (tons) Aug. 1 to Apr. 30	1,725,662	1,630,288	1,252,316
Shipped (tons) Aug. 1 to Apr. 30	1,680,523	1,591,169	1,156,773
Hulls—			
Stocks (tons) Apr. 30	42,084	43,100	45,869
Produced (tons) Aug. 1 to Apr. 30	839,468	793,114	666,024
Shipped (tons) Aug. 1 to Apr. 30	833,192	785,822	646,080
Linters—running bales—			
Stocks Apr. 30	149,342	161,285	103,800
Produced Aug. 1 to Apr. 30	1,166,425	1,100,834	911,741
Shipped Aug. 1 to Apr. 30	1,096,827	1,019,293	842,995
Hull Fiber (500-lb. bales)—			
Stocks Apr. 30	466	713	650
Produced Aug. 1 to Apr. 30	16,683	15,867	17,758
Shipped Aug. 1 to Apr. 30	16,518	15,455	17,611
Motes, grabbots, etc. (500-lb. bales)—			
Stocks Apr. 30	18,515	20,000	13,680
Produced Aug. 1 to Apr. 30	41,748	38,866	36,039
Shipped Aug. 1 to Apr. 30	33,746	29,379	24,089
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM — 1935-39 Average=100)—Month of May:			
Adjusted for seasonal variation	308	*303	291
Without seasonal adjustment	297	*287	280
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of May:			
Copper (per pound)—			
Electrolytic, domestic refinery	21.200c	21.200c	22.105c
Electrolytic, export refinery	21.554c	21.534c	23.591c
Lead (per pound)—			
New York	17.500c	17.212c	15.000c
St. Louis	17.300c	17.012c	14.800c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	74.625c	74.625c	72.512c
Silver, London (pence per ounce)	45.000	45.000	44.143
Sterling Exchange, (Checks)	$4.02738	$4.02614	$4.02500
Tin (per pound)—			
New York Straits	94.000c	94.000c	80.000c
New York, Chinese or 99%	93.500c	93.500c	78.900c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$74.160	$75.462	$84.462
¶Antimony (per pound) (E. & M. J.)	36.722c	36.120c	35.940c
Antimony (per pound) bulk, Laredo	33.560	33.000c	33.000c
Antimony (per pound), in cases, Laredo	34.060c	33.500c	33.500c
Antimony (per pound), Chinese, Spot	Nominal	Nominal	Nominal
Platinum, refined, per ounce	$98.000	$92.923	$59.269
†Cadmium (per pound)	$1.750	$1.750	$1.750
‡Cadmium (per pound)	$1.775	$1.775	$1.775
§Cadmium (per pound)	$1.800	$1.800	$1.800
Aluminum, 99% plus, ingot (per pound)	15.000c	15.000c	15.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
Zinc (per pound)—East St. Louis	12.000c	12.000c	10.500c
NEW BUSINESS INCORPORATIONS—DUN & BRADSTREET, INC.—Month of April	9,223	9,346	9,802
RR. EARNINGS—CLASS I ROADS (ASSOC. OF AMER. RRS.) — Month of April:			
Total operating revenues	$728,968,958	$776,616,109	$690,334,954
Total operating expenses	585,625,470	618,759,345	543,564,828
Operating ratio—per cent	80.34	79.67	78.74
Taxes	$75,356,189	$82,163,688	$72,741,743
Net railway operating income before charges	53,104,072	60,724,331	59,459,540
Net income after charges (est.)	27,100,000	35,200,000	35,600,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot, packed in cases, f. o. b. New York.

Rearmament Program and Money Market

(Continued from page 14)

likely that the principal effects of the rearmament program, for the near term, will be more largely a result of the program's effects on public psychology than of tangible effects on the production and distribution of goods. For example, a number of people appear to have been led to believe that curtailment of automobile production is in early prospect because of the rearmament program, and have rushed to buy new or used cars in anticipation of later scarcities. That sort of spending may result in a more rapid expansion in instalment credit than would otherwise have occurred, but may later result in less demand for such credit, either if it appears that production of consumers' durable goods will not be materially affected, so that there need be no rush to buy, or if supplies of such goods actually are reduced substantially. But, again, any stimulation or dampening of the demand for instalment credit is not likely to be of such magnitude as to be a very important factor in the money market. Furthermore, the income tax reduction should, to some extent, reduce the need for other types of consumer credit.

In the field of state and municipal borrowing, also, it seems unlikely that the rearmament program will have material effects in the near future, the only question being whether the program will later be expanded to such an extent that projects must be postponed because of unavailability of materials.

Effects on the Supply of Funds

As for the supply of funds available in the money market, I see no reason to expect that the rearmament program will have any appreciable and early direct effects, although it is conceivable that it might have indirect effects of considerable importance. The principal direct effects are likely to come from the other two major developments of recent months which will affect the budgetary position—the adoption of the foreign aid program and the income tax reduction. The first of these may be expected to relieve the drain on the gold holdings of foreign countries, and therefore, will undoubtedly mean a reduced flow of gold to this country. Gold inflows affect the money supply in two ways: the expenditure of the proceeds results in direct additions to bank deposits; it also results in additions to bank reserves which, unless offset by reductions in Federal Reserve credit or other drains on bank reserves, provide the basis for a multiple expansion of bank credit and deposits. Thus by reducing gold inflows, the foreign aid program may be expected to reduce the additions to our money supply from foreign sources. So far this year, the gold inflow has been less than half the amount in the corresponding period last year, and for a few weeks it fell to a trickle. Recently it has increased somewhat, but it is reasonable to expect that it will be substantially less, for an indefinite period ahead, than if the European recovery program and other foreign aid had not been approved.

The tax reduction should tend to have the opposite effect. It may be expected to result in some increase in the amount of savings available for investment, and it will tend to relieve pressures on the incomes of taxpayers, and thus lessen the need for dissaving. At the same time, however, it will increase the purchasing power of the public and may tend to increase the rate of turnover of the money supply.

Finally, the combined effect of the rearmament program, foreign aid expenditures, and the tax reduction is likely to make it necessary before many months for the Treasury to draw down its balances with the Reserve Banks, which in recent weeks have varied between about $1.1 billion and $1.6 billion. When the Treasury balances in the Reserve Banks are drawn upon to meet government expenditures, the result will be to add to bank reserves, unless it is possible for the Federal Reserve System to absorb the reserves by selling government securities from its holdings.

Effects on Monetary or Credit Policy

I referred earlier to the possibility that the rearmament program might have indirect effects of some importance on the supply of funds available to the money market. What I had in mind was that rearmament, together with foreign aid and the tax reductions, may affect materially the ability of the Federal Reserve System to carry on an effective monetary or credit policy. From the viewpoint of the general monetary situation—the size of the money supply and the course of interest rates—that may well prove to be the most important aspect of the whole matter.

Obviously, in view of the greatly changed budgetary situation outlined by Secretary Wiggins, there is little prospect of carrying forward the Treasury-Federal Reserve program of the past two years, which has been based largely on the use of surplus cash receipts of the Treasury at least partly (and recently almost solely) to redeem securities held by the Reserve Banks, so that the funds would not get back into the banking system. Through this procedure, and through sales in the market of particular securities that were in demand, the Federal Reserve System has been able, not only to offset the effect of its purchases of Treasury securities for market stabilizing purposes, but also to absorb a large part of the additions to bank reserves that have resulted from gold inflows and other factors. Incidentally, our critics who seem to believe that the main effect of Federal Reserve operations since the end of the war has been to hold down interest rates, apparently do not realize that the volume of Federal Reserve credit outstanding has been reduced by approximately $4 billion since the end of 1945, and that, if that had not occurred, the money market would have been flooded with funds and interest rates undoubtedly would have gone even lower than they were two years ago.

But the problem now is how to continue the process of absorbing funds added to bank reserves as a result of gold inflows and other factors, since we no longer can count on net Treasury receipts to facilitate the process. Increases in reserve requirements have been suggested as a mechanism for offsetting such additions to bank reserves. But, aside from the fact that the System is now without authority to do much along that line, it is questionable whether that procedure would constitute a very effective and satisfactory instrument for offsetting current additions to bank reserves. It would not be feasible to change the reserve requirements of the banks from week to week, or even from month to month, as would be desirable to prevent new reserves from becoming the basis for credit expansion. Furthermore, the increases in reserve requirements would have to affect whole classes of banks (if not all banks), whether they individually had shared in the additions to total bank reserves or not. Thus, the increases in reserve requirements might not fully offset the additions to the reserves of some banks, while at the same time they would create hardships for banks that did not obtain additional reserves.

In my opinion, the more appropriate method in these circumstances is the sale of government securities by the Federal Reserve System to banks that come into possession of surplus funds, so that the reserves can be absorbed before they result in further expansion of bank credit. If that is to be accomplished, the Reserve System must be able to sell securities on a basis that makes them competitively attractive, as against other alternative uses of the banks' funds, risk, liquidity and maturity considered. That would be facilitated by at least a moderate rise in interest rates, especially for short-term securities, and the maintenance of some uncertainty as to the future course of interest rates. In other words, if interest rates were frozen indefinitely at current levels, it is highly questionable whether it would be possible for the Reserve System to carry out an effective credit policy. No way has yet been found to restrict the availability of credit in a period of active demand without making it somewhat more expensive. On the other hand, if the Reserve System should press for sale whatever amount of securities was necessary to achieve its purposes, regardless of the effect on security prices and yields, it would become impossible for the Treasury to conduct its refunding operations successfully, unless it adjusted interest rates on new issues promptly to the levels resulting from Federal Reserve operations.

That means, then, that monetary policy and debt management must continue to be harmonized on a basis that will permit the Federal Reserve System to meet its responsibilities for credit control and the Treasury to meet its responsibility for managing the public debt. An uncoordinated monetary policy could make the management of the debt very difficult; and an uncoordinated debt management policy could interfere seriously with monetary policies, having as their chief aim the promotion of economic stability.

It is not yet certain that the rearmament program will necessarily have strongly inflationary effects, at least for some months nor that it will necessarily involve heavy demands for bank credit in the near future or call for strong measures to restrain the use of credit in other fields. But there can be no doubt that the rearmament program, together with foreign aid and the tax reduction has already had a powerful influence on public psychology, so that it is not safe to adopt a complacent attitude, on the strength of the leveling off in the commodity price index during the past few months and the signs of greater resistance to inflationary tendencies in some fields.

Looking farther ahead, if government expenditures should be greatly expanded over the levels now contemplated, either for national defense or for any other purpose, strong measures might be required to prevent an active renewal of inflationary tendencies, in view of the fact that there is no such slack in our economy as there was before the war. The expanded government demands on the productive capacity of the country presumably would then require curtailment of other demands, and would point to measures such as a higher taxation, stimulation of savings, diversion of materials and labor from less essential purposes, and also restraints on unnecessary expansion of credit and the money supply. In those circumstances, monetary controls would have a part to play in resisting inflationary pressures, but probably a supporting, rather than a leading role.

Market Outlook

(Continued from first page)

will, to a large extent, govern the market's future moves. It requires the study of a vast amount of technical data in order to evaluate the relative strength of the buying and selling pressures which cause the fluctuating willingness to buy or willingness to sell of countless number of investors and speculators not only in this country but all over the world. Briefly, it is a study of supply and demand. This method of approach has been particularly valuable over the past two and one-half years because it takes into consideration the very important factor of public psychology.

At times, it seems that earnings and balance sheets are but minor factors in evaluating the price of a security and that the state of mind of the investing and speculating public is the predominating element. Of course, over the longer term, this is not true. Stock prices ultimately reach their approximate true value. However, the distortions due to temporary mass psychology are sometimes quite fantastic.

In order to understand the present market it is necessary to go back to January, 1946. Ever since April of 1942, when the industrial average reached a low of around 93 and the rails around 23, the market had been in an upswing interrupted by only occasional technical corrections. In February of 1946 the industrial average reached a high of 207.24 and the high on the rails was 68.42. This was followed by the sharp February decline with the averages reaching lows of 184.05 and 59.86. Subsequently, both averages rallied with the industrials in the lead and the rails lagging. This was contrary to previous performance.

Since the inception of the bull market in early 1942, the rails had been the leaders in each advancing phase. During this period, the early part of 1946, a tremendous amount of new issues were brought out. Most of these issues were in the consumer goods field, companies which had enjoyed unprecedented prosperity during the war period due to high incomes and the inability to purchase hard goods such as automobiles, refrigerators, etc. These new issues were avidly grabbed for by an optimistically minded public. All sorts of frozen foods, distilling, merchandising, costume jewelry issues were immediately bid up several points above their original offering price. During this same period the industrial average advanced but with a much smaller rate of volume than in the first three and one-half years of the bull market. Also, the number of new highs reached failed to keep pace with the previous rate and the number of advances and declines began to show an unfavorable pattern. The industrials penetrated their February high in late April but the rails failed to confirm.

It was this divergence, and other technical indications noted above, that prompted me to advise extreme caution and to predict, in my talk to this group in July, 1946 that the potential distributional area built up in early 1946 indicated a possible decline in the 170-160 area in the industrial average. Ever since the September, 1946 break I have consistently stressed this same 170-160 area as a major buying range. It has proven to be such for the past 20 months.

Market in Early 1946

To continue with the action of the market in early 1946, the industrial average reached a high of 213.36 in late May, 6.12 points above the February high of 207.24. The rails, however, could do no better than penetrate the February high of 68.42 by only a small fraction to reach 68.77. This divergence between the two averages proved to be an extremely important signal of a change in trend. Subsequently, both averages penetrated the February lows of 184.05 and 59.86 to confirm a downtrend. The averages declined to 160.49 and 44.00 in October. That proved to be low for the first phase of the decline. During this phase some groups reached their lows for the bear market, lows which were never approached in the subsequent 18 months. Among these groups were agricultural machinery, automobiles and coppers. During the period from September to December of 1946 the industrial average formed a sufficient base to indicate a possible rally to the 185-195 level. The next rallying phase carried to highs of 184.96 and 53.65 in February of 1947. It will be noted that the industrials reached the logical resistance point, the bottom of the 213-185 distribution area, but the rails failed to reach the equivalent 59, the bottom of the 68.59 distribution area.

The next intermediate decline was the second instance of divergence. In May, 1947 the rail average declined to a new low at 40.43, 3.57 points below the October low of 44.00. The industrial average, however, failed to confirm a renewal of the downtrend by holding above the previous October low of 160.49. The May, 1947 low was 161.38.

During this second phase of decline a large number of groups reached their ultimate lows. Included in this category were the rails, aircraft manufacturing, building, coal, electrical equipment, household products, investment trusts, machinery, office equipment, paper, steel and textiles. Other groups, such as automobile accessories, chemicals, finance companies and oils held at their previous lows. Also, during this second decline there was smaller volume on the reaction, fewer new lows and a better ratio between advances and declines. The decline enlarged the base on the industrial average to indicate a potential 210-215 if both the industrials and rails succeeded in penetrating their February, 1947, highs.

Divergence in July 1947

The third instance of divergence occurred at the July, 1947, highs. The industrial average penetrated the February high of 184.96 to reach 187.66. The rail average failed to confirm, however, by attaining a high of only 51.92 against the February high of 53.65. A subsequent decline carried the averages to lows of 174.02 for the industrials in September and 46.00 for the rails in December, 1947.

After that, the fourth instance of divergence occurred in early January of this year at 54.17. The industrial average failed to reach the July, 1947 high of 187.66 by 5.84 points at 181.82. Thus, in 17 months, on three widely separated occasions, the industrials declined to an area bounded roughly by 160-165 in the Dow-Jones industrial averages. A comparison of the action of the market during these declining periods of October, 1946, May, 1947 and February, 1948 brings out some interesting points. As noted before, the technical action during the May, 1947 decline was more favorable than that of October, 1946. This tendency continued in the third decline. Volume was lower in the 1948 decline than in 1947. The number of new lows reached during the declining phase in 1947 was much greater than those reached in the February, 1948 decline. The number of daily declines in the 1947 period was

much greated than in February, 1948. On the other hand, the number of daily advances in the face of a falling market was larger in February, 1948 than in May, 1947. These signals indicated that the market was losing its momentum on the down side and that the long trading range of 17 months duration was an accumulation phase that would be followed eventually by sharply higher prices.

Bearish Barrage

All during these 17 months the averages fluctuated in a comparatively narrow range between 167-181. Some stocks made their lows as early as October, 1946 and other stocks reached their indicated downside objectives as late as February, 1948. All during this period the market had to face a tremendous barrage of bearish prognostications on the business outlook. These forecasts, it turned out, were highly inaccurate. Nevertheless, these dire predictions so dampened public speculation in securities that stocks sold at fantastically low prices to earnings ratios. Seldom in modern financial history did stocks sell on as high a yield basis in relation to bonds as they did during this period. It was relatively easy to find stocks to yield 6% or more.

The public psychology was just the reverse of the unbounded optimism of early 1946 when all types of new issues were unloaded on the public.

Following the February decline, the industrial averages formed a long line formation for a period of six weeks. Then on March 20 the market broke out of this long line formation with a "gap" opening. This proved to be a very important change in trend signal. In April, the rails penetrated their previous highs and in May the industrials did likewise to confirm a new bull market.

At this point I would like to inject a word or two about the Dow theory. I do not pretend to be an expert on this famous theory and it is only one of the many tools that I use in my technical work. However, I do want to draw attention to the popular fallacy that all followers of the Dow theory entered the market when the industrial average was penetrated at 187. Statements of this sort show a rather superficial knowledge of the Dow theory. There is a great deal more to the theory than just the principal of confirmation. True students of the Dow theory had numerous indications to enter the market at much lower prices. For example, the long line formation between, roughly, 165 and 170 in the Dow-Jones industrial average in February and March of this year, while the rails were holding considerably above their previous lows, was an indication that the probabilities favored that the market was near a turning point. This was confirmed by the penetration by both averages.

Even so, in the past the substantial profits have resulted in waiting for a Dow theory confirmation.

50-Year History

Going back over the past 50 years, we have had 13 bull markets. This present market makes the 14th. The average price advance from confirmation to bull market peak was 69%. This, in the case of the present market, would mean a price of over 300 in the industrial average. The smallest rise in the 50-year period was 9½% in the short-lived 1939 bull market. That would be about 205 in terms of the present market. The largest advance was about 300% in the 1923-1929 market. That would mean about 745 in terms of the present market.

My ultimate objective for the Dow-Jones industrial average is somewhere between 250 and 260. Percentagewise this would be a comparatively small rise in relation to past bull markets. In fact, it would be about the smallest percentage rise in any bull market for the past 50 years. The objective in the rail average is somewhere between 75-85. In terms of the other averages, it would mean about 165 to 170 in the New York "Herald-Tribune" and 185 to 190 in the New York "Times" average. The market has been in a consolidating phase for the past 15 trading days in a range between, roughly, 192 and 188. I would expect any decline to meet support at 187 to 185. Any important technical correction when it occurs will come from a higher level—say about 200-205. However, it is not possible to buy the averages and so it is necessary to break down these averages into groups and, further, into individual issues.

Standard & Poor's publishes weekly stock price indexes on over 75 groups of stocks. The prices are figured on the basis of a price percentage of the 1935-1939 range.

I have checked over the technical implications of the stock price indexes of individual groups and have found that, roughly, the chart patterns fall into three general classifications.

Specific Conclusions

The first classification consists of groups that have already given a bull market confirmation similar to Dow-theory confirmation by the industrial and rail averages. The following groups have given such a confirmation: Agricultural Machinery, Aircraft Manufacturing, Automobile Companies, Coal, Copper, Cotton, Electric Equipment, Fire Insurance, Fertilizer, Investment Trusts, Lead & Zinc, Marchinery, Office Equipment, Paper, Oil, Radio, Rails, Rayon, Shipbuilding Shipping, Steel, Textiles.

The second classification consists of groups that have formed long potential base patterns but have not yet given an upside confirmation. The following groups are in this classification: Air Transport, Auto Parts, Distillers, Soft Drink, Confectioners, Building Materials, Chemicals, Finance, Meat Products, Gold Mining, Household Products, Metal Fabricating, Railroad Equipment, Retail Trade, Shoes, Soap & Vegetable Oil, Woolen.

The third classification consists of groups that have relatively unfavorable patterns as compared with the general market. In most instances, they may have already reached their lows but they need to form base patterns before any indication of a worthwhile advance is indicated. This may require spending more time around present price levels while other groups move ahead. The following groups are in this third classification: Apparel, Auto Tires and Rubber, Banks, Brewers, Containers, Drugs, Baking, Dairy Products, Foods, Leather, Printing and Publishing, Sugar, Motion Pictures, Tobacco, Utilities, Telephone and Telegraph.

My recommended list consists largely of stocks in the first classification. I have been recommending issues in these groups for the last 18 months in the 170-160 buying range in the industrial average. For new purchases for those who missed the buying opportunities of the past year and a half, it would seem that they should be concentrated in the first two classifications. Some selectivity is required at this stage because some of the stocks in the groups in the first classification have already reached their intermediate objectives. This is particularly true of some of the issues in the oil and aircraft groups. However, there are many issues in this first classification of groups that indicate considerably higher price levels.

Individual issues in the second classification of groups should turn out to be advantageous purchases although some time may or may not be required until they confirm the uptrend. They have potentially favorable technical patterns and appear to be behind the market.

Would avoid the third classification until a larger base pattern has been built up.

World Bank Seeks Congress' Aid

(Continued from page 4)

of other committee members, government witnesses and others One of the more prominent government witnesses privately commented that Mr. Bennett had demonstrated unusual ability and skill in "shooting from the hip." To the "Chronicle" Mr. Bennett said:

"This proposed legislation which would permit the International Bank to circumvent the Securities Act of 1933, and the Securities and Exchange Act of 1934, is an extremely dangerous proposal in my judgment. I say this after listening to testimony on the Bill before the House Committee on Interstate and Foreign Commerce for two days.

John B. Bennett

"Two things about the legislation are particularly significant. In the first place, it would permit banks to sell securities based upon foreign loans while denying to the American investor the protection now afforded him under the Securities and Exchange Act, and in the second place, it would permit National Banks to deal in such securities and thus enable the International Bank to channel its securities into every nook and corner of the United States. Thus, while it provides for a more widespread distribution of such securities, it denies the investor the protection to which he is now entitled. The fact that the National Advisory Council is given certain veto powers with respect to the issuance and sale of the Bank's securities is little more than a subterfuge because if Congress passes this legislation it automatically places the securities of the International Bank in the same preferred category as Government Bonds. Following Congressional intent, the NAC would naturally feel that such securities needed no regulation.

"Passage of the legislation would also give the International Bank the unregulated right to deal in its own securities. This right to manipulate the market in its own securities is a dangerous extension of power—even if properly used. I refuse to deny the American investor the fullest protection of our security laws for the purpose of expediting or facilitating our foreign policy. Therefore, unless this Bill is drastically modified, I shall oppose it in the Committee and on the floor of the House."

SEC Was on the Spot

The hearings were attended by a battery of SEC members and staff, including Chairman Edmond Hanrahan, Commissioners McConnaughey and McEntire, Solicitor Roger Foster, Chief Counsel Loss of the Trading and Exchange Division and Special Counsel on Corporation Finance Michael Mooney; as also by World Bank, Treasury, Federal Reserve staff members. The position of the SEC all along has been that matters of high foreign policy are not within its assigned duties and it is not equipped to determine or implement them, but that this is something for Congress to decide. Chairman Wolverton during the SEC's testimony pointed out that that is all well and good, but that Congress looks to the Government agencies for their advice and asked Mr. Loss to give at least his personal advice to Congress. Mr. Loss, commenting that he could not speak for the SEC, said with reference to the anti-manipulative provisions of the law, "there's no justification for any issuer to have exemption . . . I so argued before the NAC. . . ." Loss said that it is bad for an issuer to peg prices; that the Bank wants to be free to buy in its own bonds and have no question raised. Price pegging and price raising is unlawful and "I would as a member of Congress oppose it."

This prompted Mr. Wolverton to say that the fundamental principal Congress sought in the SEC legislation was the protection of the public. "Yet from the standpoint of the public it's been a most satisfactory piece of legislation, so when you come to change it we're anxious to know basically good reasons for changing it." Thus he voiced the House Committee's evident distrust of the bill (H. R. 6443).

Contrast Between Senate and House Hearings

Persons interested in the details of the hearings will do well to request copies of the printed transcripts from the Senate Banking and Currency Committee and the House Interstate and Foreign Commerce Committee. It will be noted at once that the Senate hearing was very perfunctory, being illuminated only by Mr. Black's unfortunate *faux pas* in alluding to Ohio's supposed attitude toward "furriners" and "furrin ways," an indiscretion which gave Senator Bricker (R., O.) offense. (Bricker refused Mr. Black's request to strike the interchange from the transcript.)

The Senate Committee's report was largely the work of Mr. Ansel Luxford, of the World Bank, the writer has been informed by three diffirent U. S. Government officials. Since the World Bank is an international body, this was most unusual procedure.

In contrast the House hearings revealed close interest by the few Committee members who were able to attend, and a good deal of work by the Committee's staff. Unfortunately for attendance, the June 4 hearing coincided with the House debate on the ECA appropriation. Other facts are that the Senate Committee is headed by Sen. Chas. Tobey, "Bretton Woods' own Senator," himself a delegate to that 1944 Conference and an active supporter of the Fund and Bank; and the filing of the above-mentioned NASD May 26 telegram of protest only after the Tobey Committee had acted. The delay is explained by NASD's Wallace Fulton as due to the fact that the NASD had no earlier opportunity to formulate its position. Mr. Fulton expects that the pending bill will be modified by the House Committee as a result of consultations this week by the staffs of the Bank, SEC, NASD, etc., as suggested last Saturday by Chairman Wolverton.

If legislation is to be passed this year, there is no time to lose. But no early offering of World Bank debentures is looked for. In fact Mr. Eugene Black, who's job at the Bank as he describes it is to sell the debentures, will be abroad for about two months commencing June 8, since the Bank is sending him on a trip around the world. The past two weeks have kept Mr. Black busy, visiting Congressmen and others, in connection with H. R. 6443.

Hard-Boiled Bankers

The hearings were not without humorous moments. Thus, when Mr. Black tried to show how difficult it will be for the Bank to sell debentures beyond the limit of the U. S. $3,175,000,000 commitment in the Bank, because the officers of the banks and others to whom the debentures must be offered are "hard boiled," Rep. Wolverton asked whether these were not the same "hard boiled" bankers who had dealt in the foreign bonds which had cost investors so heavily in the 1920s and 1930s. This Mr. Black admitted.

Mr. Black cited a theoretical study by the Bank's research department to show that, had the Bank been in existence in the '20 and '30s investors in foreign bonds would have lost nothing. "They wouldn't have lost as investors, but they would have lost as taxpayers," Rep. Bennett interjected. "That's right," Black was again forced to admit. And Wolverton wanted to know about the wisdom of substituting NAC for SEC in this matter, saying: "The NAC certainly don't surpass in hardness of the boiling" the bankers cited by Mr. Black, who Rep. Wolverton was saying are the same ones who sold the foreign bonds of the pre-depression period.

Inescapable Fact

At this time, when the World Bank is seeking to get easier access to the private savings of Americans entrusted to insurance companies and savings banks so that it may make long-term loans in distant places, it may be worth pondering again just how the risks should be divided between the individual and the Government. While Mr. Black has testified that the Bank will not lend more than, say, $500,000,000 a year and that it must make only "sound" loans, the Bank is under pressure to make loans which, in fact, cannot be otherwise floated. That is, the Bank is created to take unusual risks. Not only must it lend to Governments with bad defaults records like Chile. It must face bigger dangers in putting out money for a quarter century. Thus, Sir John Boyd Orr of the FAO says: "The whole human race is rumbling on to destruction. . . . The nations . . . are insane, they are spending one-third of their national incomes preparing for the next war."

The U. S. Army Engineers, planning Washington's estimated water needs in the year 2000, rightly makes allowance for the fact that "there's been a war every 20 or 25 years." World Bank loan director Iliff, in a speech, makes the same point and links it to defaults.

Bill Still Must Pass Hurdles

Mr. Black, in answer to a question, said the Bank must have not part but all of the changes sought in the bill. Congressman Wolverton and some of the committee members seem in a mood to "clean up" the bill, give the Bank part of what it seeks, but without quite escaping SEC supervision. The fact that only about half a dozen committee members made any appearance during the hearings will slow up matters. Beyond the committee, there is still the House as a whole to be "sold"; and on the Senate side opponents such as Senator Bricker.

It might have been wiser for the Administration to have made the desired exemptions in the original Bretton Woods Agreements Act, for in 1945 the skeptics in Congress were less numerous.

With Herrick Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

GRAND ISLAND, NEB.—Stanley Gross is with Herrick, Waddell & Reed, Inc., 55 Liberty Street, New York City.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Aircraft Radio Corp., Boonton, N. J.
May 25 (letter of notification) 1,000 shares of common stock (par $1). **Price** (approximately), $4¾ per share. Stock will be offered by F. Eberstadt & Co., Inc. Proceeds to selling stockholder.

• Alabama Textile Products Corp., Andalusia, Ala.
June 2 (letter of notification) $150,000 first preferred stock. **Price**—$100. Debentures in amount of $71,500 will be exchanged par for par for preferred and cash realized from the balance will be used to retire current bank loans in amount of $78,500. No underwriter.

American Bosch Corp., Springfield, Mass.
June 2 filed 535,882 shares of class B ($1 par) common stock. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and Lehman Brothers (jointly); Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly). The Attorney General (successor to the Alien Property Custodian) as holder of the stock, directed the sale.

• American Minerals, Inc., Midland, Texas
June 1 (letter of notification) 312 shares of common stock (no par). **Price**—$100 per share. No underwriter. To furnish capital for new corporation of above name.

• American Plan Discount Corp., Baltimore, Md.
June 4 (letter of notification) 100,000 shares of Class B non-voting, non-convertible common stock, ($1 par) 10,000 shares of 6% preferred cumulative, non-convertible ($10 par) stock and 25,000 shares of voting ($1 par) common stock. No underwriter. For purchase of commercial paper, making of small loans and incidental expenses.

• Aristocrat Manicuring Co., Oakland, Calif.
June 3 (letter of notification) 29,000 shares of common stock. **Price**—$10 per share. In addition 29,000 shares will be issued to Merrill Kessler for patents. No underwriter.

Bankers Fire & Marine Insurance Co., Birmingham, Ala.
April 27 (letter of notification) 25,845 shares of common stock. **Price**—$8. **Offered**—Offered for subscription to stockholders of record March 31 on basis of one new share for each two shares held. Rights expire 5 p.m., June 30. To increase capital and surplus. No underwriting.

Barlow & Seelig Manufacturing Co., Ripon, Wis.
May 24 (letter of notification) 8,820 shares ($1 par) common stock. **Price**—$8 per share. **Underwriters**—McMaster Hutchinson & Co. and Charles W. Brew & Co.

Beneficial Industrial Loan Corp. (6/17)
May 27 filed 100,000 shares (no par) cumulative preferred stock and an unspecified number of shares of ($10 par) common stock with scrip certificates to cover the conversion by July 1, 1958. **Underwriter** — Eastman, Dillon & Co., New York. Price and dividend rate by amendment. **Proceeds**—General funds.

Berry (D. N.) Co., Denver, Colo.
May 27 (letter of notification) 133,000 shares of common stock. **Underwriter**—John G. Perry & Co. For working capital.

Borderminster Exploration Co. Ltd., Ottawa, Canada
June 2 filed 500,000 common shares ($1 par). **Underwriter**—Mark Daniels & Co. **Price**—40c per share Canadian funds. **Proceeds**—For exploration of properties.

• British Outlook, Inc., Washington, D. C.
June 7 (letter of notification), 1,500 shares $4.50 noncumulative preferred ($10 par), 2,250 shares of class A (par $1) and 500 shares of class B common stock (par $1), and transferable option rights to purchase 750 shares of class A common at $10 per share in next two years. **Offering**—To public in units of one share of preferred and one share of common for $100 but number of units offered will not exceed 1,500. No underwriter. For expenses.

• Burns & Roe, Inc., New York
June 3 (letter of notification) 10,000 shares of class A common stock (par $1). **Price**—$2.75 per share. The stock will be purchased from Ralph C. Roe, controlling stockholder, and sold to employees of company at exact price paid therefore to Mr. Roe.

Central Vermont Public Service Corp.
March 30 filed $1,500,000 Series E first mortgage bonds and an undetermined number of common shares (no par). **Underwriters** of common—Coffin & Burr. Bonds to be placed privately. Common stock will be offered to common stockholders through subscription rights and to common and preferred stockholders through subscription privileges. **Proceeds**—For a construction program and repair of flood damages.

Champion Shoe Machinery Co., St. Louis, Mo.
May 26 (letter of notification) 10,000 shares of common stock and 200 shares of preferred stock. Price for common $3.50 per share, and for preferred $30 per share. **Underwriter**—Edward D. Jones & Co.

• Chemical Fund, Inc., New York
June 4 filed 669,975 shares of common capital stock, ($1 par).

Cincinnati Gas & Electric Co., Cincinnati
May 21 filed $15,000,000 first mortgage bonds, due 1978. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Union Securities Corp.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. and White, Weld & Co. (jointly). **Proceeds**—Construction program.

Columbia Television, Inc.
May 18 (letter of notification) 100,000 shares of preferred stock and 100,000 shares of common stock. **Price**—$3 per unit of one share of each. **Underwriter**—H. B. Burr & Co. is exclusive selling agent. The selling agreement requires Burr to sell 40,000 units within 90 days, an additional 30,000 units 180 days thereafter and a further 30,000 units within 210 days thereafter. **Proceeds**—Will be used to manufacture television sets, purchase test and production equipment for plant.

Commonwealth Lead Mining Co., Salt Lake City, Utah
May 27 filed 2,000,000 shares of non-assessable common stock (10¢ par). **Offering**—1,303,733 shares are to be offered in exchange for a like number of shares of Utah Ophir Mines Co. on a share-for-share basis plus one cent per share to be paid Commonwealth by Utah Ophir stockholders accepting the offer. **Underwriting**—None. **Proceeds** — For exploration and development work.

• Community Loan & Finance Co., La Crosse, Wisconsin
June 1 (letter of notification) 2,000 shares of 5% cumulative first preferred (par $100) and 731 shares of common stock (par $100). Price, par for each class. No underwriter. To reduce bank loans and loans from others.

Consolidated Edison Co. of N. Y., Inc.
March 1 filed $57,382,600 of 3% convertible debentures, due 1963. Convertible into common stock at $25. **Offering**—Common stockholders of record May 20 were given right to subscribe for debentures in ratio of $5 of debentures for each share held. Rights expired June 8. **Underwriters**—Unsubscribed ($4,322,500) debentures underwritten by Halsey, Stuart & Co. Inc. and associates. **Proceeds**—To redeem 273,566 shares of outstanding $5 cumulative preferred stock and to reimburse treasury for expansion expenditures, etc.

Consolidated Vultee Aircraft Corp.
May 5 filed 1,159,849 shares ($1 par) common stock. **Offering**—Stockholders of record May 28 are given the right under a firm subscription to subscribe for the stock at rate of one new share for each share held at $9 per share. Rights expire June 14. In addition stockholders will be given the right to make contingent subscriptions for any shares not subscribed for by exercise of firm subscription, subject to allotment. Atlas Corp., holder of 11.4% of outstanding consolidated stock, will exercise its subscription rights to purchase enough stock to assure Consolidated a return of $7,000,000 from the stock offering. **Underwriting**—None. **Proceeds**—Added to general funds for manufacture of commercial transport planes.

Consumers Power Co., Jackson, Mich. (6/22)
May 18 filed 200,000 shares of cumulative (no par) preferred stock. **Underwriters** — To be determined under competitive bidding. Probable bidders: Harriman Ripley & Co. and The First Boston Corp. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly). **Proceeds**—To acquire property, construct and expand facilities. **Bids**—Bids for the purchase of the stock will be received up to 11 a.m. (EDT) June 22 at office of Commonwealth & Southern Corp. (N. Y.), 20 Pine Street, New York.

Dayton Consolidated Mines Co., Virginia City, Nevada
May 14 (letter of notification) $100,000 first lien sinking fund convertible 5% bonds due 1953 and 300,000 common shares reserved for conversion of bonds. **Price**—$1,000 per bond with 1,000 common shares. **Underwriter**—S. K. Cunningham & Co., Pittsburgh. To receive current obligations, working capital, etc.

• Duesenberg, Inc., Indianapolis, Ind.
June 3 (letter of notification) 2,499 shares of participating preferred stock. **Price**—$100 per unit. No underwriter. To develop the Duesenberg marine engine, the Duesenberg automobile and an automatic transmission for use together with and for licensing separately from the marine engine and the automobile.

Equitable Gas Co., Pittsburgh, Pa.
May 6 filed $14,000,000 first mortgage bonds, due 1973. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co.; White, Weld & Co. **Proceeds**—$14,000,000 of proceeds, plus 563,000 shares of new common stock, will be delivered to the Philadelphia Co. in exchange for natural gas properties now under lease, outstanding capital stock of Equitable, notes and other claims owed to the Philadelphia Co. and to the Pittsburgh and West Virginia Gas Co.

• Feez Manufacturing Co., Spokane, Wash.
May 28 (letter of notification) 20,000 shares of common stock ($1 par). **Price**—$1 per share. No underwriter. For company expenses.

• First Guardian Securities Corp., New York City
June 4 filed 36,000 shares of 5% cumulative convertible preferred stock ($25 par) and 172,000 shares ($1 par) common stock. (72,000 shares of common to be reserved for conversion of the preferred.) **Underwriter**—None. **Price**—$25 a share for the preferred and $10 for the common. **Business**—Investment company.

Flotill Products, Inc., Stockton, Calif.
March 6 filed 385,000 shares of 60 cent convertible preferred stock (par $5) and 325,000 shares of common stock (par $1). **Underwriter** — Floyd D. Cerf Co., Chicago. **Price**—preferred $10; common $6. **Proceeds** — Stockholders will sell 260,000 preferred shares and 250,000 common shares and company 125,000 preferred shares and 75,000 common shares. Company's proceeds will be used for general corporate purposes. Effective May 5.

• Form Moulding, Inc., Marion, Ind.
June 7 (letter of notification) 100,000 shares of cumulative convertible participating class A stock (par $1) and 5,000 shares of Class B stock ($1 par), reserved for conversion of Class A shares in ratio of 20 shares of Class A for one share of Class B; and 3,000 shares of Class B treasury stock ($1 par) offered to members of the selling group. **Price to public**—Class A, $2.50 per share; Class B, 1 cent per share. **Underwriters** — American Trustee Share Corp. and Young & Co., Inc., Pittsburgh. To pay note, for construction and working capital.

• General Telephone Corp., New York (6/30)
June 4 filed 208,260 shares of common (par $20). **Underwriters** — Paine, Webber, Jackson & Curtis, Stone & Webster Securities Corp. and Mitchum, Tully & Co. **Offering**—Holders of common stock and 4.40% preferred stock of record June 16 will receive rights to subscribe on or before June 29 to the new shares at the rate of one new share for each six common shares held and at the rate of one new share for each 4½ preferred shares held. **Proceeds**—To make additional investments in the common stock equities of its subsidiaries.

• Glass Fibers, Inc., Waterville, Ohio
May 28 (letter of notification) 3,500 shares ($1 par) common stock on behalf of Home-Ship Corp. of Tucson, Ariz. **Underwriter**—Kebbon, McCormick & Co., Chicago.

• Gyrodyne Co. of America, Inc., N. Y.
June 3 (letter of notification) 204,000 shares of common stock, class A (par $1) and 24,000 shares of 5% cumulative convertible participating preferred stock (par $4). Price, par for each class. To be offered through directors, officers and others. Proceeds for development, organization of corporation, etc.

• Hastings (Mich.) Manufacturing Co.
June 4 (letter of notification), 750 shares common ($2 par). **Price**—$11.25 per share. **Underwriter**—First of Michigan Corp. Proceeds to selling stockholder.

• Holan (J. H.) Corp., Cleveland, Ohio
June 4 (letter of notification) 29,723 shares ($1 par) common stock. **Price**—$3.25 per share. **Underwriter**—Cunningham & Co. For construction and new machinery.

• Household Service, Inc., Clinton, N. Y.
June 7 (letter of notification), $8,400 5% sinking fund 10-year serial debentures, series C, due June 1, 1958,

NEW ISSUE CALENDAR

June 10, 1948

Chicago Rock Island & Pacific RR.
11:30 a.m. (CDT) ---- **Equip. Trust Ctfs.**

June 11, 1948

Lonsdale Co. ---- **Common**

June 14, 1948

Kansas City Power & Light Co.
Noon (CDT) ---- **Bonds**

June 15, 1948

Chesapeake & Ohio Ry.
Noon (EDT) ---- **Equip. Trust Ctfs.**
Montana-Dakota Utilities Co. ---- **Common**

June 16, 1948

Kerr-McGee Oil Industries Inc. ---- **Common**
Segal Lock & Hardware Co. ---- **Debentures**

June 17, 1948

Beneficial Industrial Loan Corp. ---- **Preferred**

June 21, 1948

Joy Manufacturing Co. ---- **Common**
Southern Natural Gas Co. ---- **Bonds**

June 22, 1948

Consumers Power Co., 11 a.m. (EDT) ---- **Preferred**

June 25, 1948

Southern Union Gas Co. ---- **Preferred**

June 29, 1948

New York Telephone Co. ---- **Bonds**

June 30, 1948

General Telephone Corp. ---- **Common**

and 420 shares of common stock (par $10). **Price**—$150 per unit of $100 of debentures and five shares of common. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y. Expansion of gas distribution system.

● **Hunt Foods, Inc., Los Angeles**
June 2 (letter of notification) 30,000 shares of Series A 5% preference stock ($10 par). To be offered in exchange to holders of common stock of Harbauer Co., (Ohio) on the basis of two shares of Hunt for one share of Harbauer common stock. No underwriter. To increase stock ownership of Harbauer.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
May 17 filed 100,000 shares of 4% cumulative preferred stock ($100 par) and 500,000 shares ($10 par) common stock. **Underwriter** — Tom G. Taylor & Co., Missoula, Mont. **Price**—$300 per unit, consisting of two shares of preferred and 10 shares of common stock. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

● **Illinois Bell Telephone Co., Chicago, Ill.**
June 4 filed 389,995 shares of capital stock (par $100). Underwriter, none. **Offering**—To be offered pro rata for subscription by shareholders of record June 2. American Telephone and Telegraph Co. (parent) will purchase 387,295 shares. **Proceeds**—To pay advances from American Telephone and Telegraph, its parent; any remainder of proceeds will be used in improving telephone plant.

● **Iris Oil Co., Denver, Colo.**
June 4 (letter of notification) 20,000 shares ($1 par) capital stock. **Price**—$2 per share. No underwriter. For drilling expenses, equipment and supplies and general operating expenses.

● **Irwin-Phillips Co., Keokuk, Iowa**
June 1 (letter of notification) 10,000 shares of 5% cumulative participating preferred stock ($10 par) to be sold on behalf of three stockholders. Price, par. **Underwriters**—Slayton & Co., St. Louis, Mo., have been employed as agents to sell the issue.

Joy Manufacturing Co. (6/21)
June 1 filed 51,500 shares of common stock (par $1), of which 36,200 shares are being sold by Adams Express Co. and 15,300 shares by American International Corp. **Underwriters**—Hallgarten & Co. and R. W. Pressprich & Co.

Kansas City (Mo.) Power & Light Co. (6/14)
May 14 filed $12,000,000 first mortgage bonds due 1978 and 80,000 shares of cumulative preferred stock (par $100). **Underwriters** — Names will be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Lehman Brothers; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Shields & Co., White, Weld & Co. and Central Republic Co. (jointly). **Proceeds** — To acquire and construct additional property and retire $3,860,000 of 1¾% notes issued for interim financing. **Bids**—Bids for the purchase of the securities will be received at Suite 2200, 105 W. Adams Street, Chicago, up to noon (CDT) June 14.

● **Kearns Gold Mines Co., Auburn, Calif.**
June 1 (letter of notification) 150,000 shares of common capital non-assessable stock ($1 par). **Price** — $1 per share. No underwriter. For mining business.

Keller & Co., Inc., Boston, Mass.
May 28 (letter of notification) 9,300 shares of cumulative participating preferred stock and $200,000 of 20-year 5½% debentures, due 1968. **Underwriter**—General Stock & Bond Corp. For working capital and other corporate purposes.

Kerr-McGee Oil Industries, Inc. (6/16)
May 28 filed 300,000 shares ($1 par) common stock, of which 200,000 shares is in behalf of the company and 100,000 shares for selling stockholders. **Underwriters**—Lehman Brothers and Straus & Blosser. **Proceeds**—Company will use part of proceeds to retire its secured short term notes and remainder will be used to finance business expansion, etc.

Kool-Aid Bottling Co., Inc. of Calif., Sheboygan, Wisconsin
March 22 filed 1,500,000 shares ($1 par) common stock. **Underwriter**—Heronymus & Co., Sheboygan, Wis. **Proceeds**—To open and equip bottling plants in California cities. **Price**—$1 per share.

● **Lakeside Laboratories, Inc., Milwaukee, Wisc.**
June 4 (letter of notification) 1,000 shares of common stock. **Price**—$6.50 per share. **Underwriter**—Loewi & Co., Milwaukee. For working capital.

Lonsdale Co., Providence, R. I. (6/11)
April 26 filed 1,132,631 shares ($1 par) common stock. **Offering**—Offered to holders of common stock of record May 24 of Textron, Inc., at rate of one new share for each one held. Rights expire 3 p.m. (EDT) June 10. An additional 100,000 shares are offered to officers, certain directors and employees of the newly organized company. **Underwriters** — For unsubscribed shares Blair & Co., Inc., and Maxwell, Marshall & Co., New York. **Price**—$3 per share. **Proceeds**—To be applied to the purchase price for an existing textile firm known as Lonsdale Co., a Textron subsidiary.

● **Marquette Cement Manufacturing Co., Chicago, Illinois**
June 3 (letter of notification) 1,335 shares ($25 par) common stock. **Price**—$35 per share. No underwriter. For additional working capital.

● **Masco Screw Products Co., Detroit, Mich.**
June 4 (letter of notification) 141,600 shares ($1 par) common stock. **Price**—$1.75 per share. No underwriter. To repay a loan and for working capital.

Mid-Continent Airlines, Inc., Kansas City, Mo.
May 19 (letter of notification) 6,000 shares of common stock ($1 par). **Price**—Market ($8 to $9). **Underwriters**—Kitchen & Murphy, Chicago. For working capital.

Montana-Dakota Utilities Co. (6/15)
May 18 filed 150,000 shares ($5 par) common stock. **Underwriters**—Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane, New York. Price, by amendment. **Proceeds**—To be used in expanding electric and gas utility property.

● **Musser Marimbas, Inc., Chicago, Ill.**
June 7 (letter of notification), 500 shares of 4% cumulative preferred (par $100). Price, par. No underwriter. For working capital.

● **National Fuel Gas Co., New York**
June 4 filed $13,500,000 sinking fund debentures, due 1973. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co. and Glore, Forgan & Co.; Goldman, Sachs & Co. and Lehman Brothers (jointly). **Proceeds**—To purchase 320,000 additional shares of United Natural Gas Co. common stock ($25 par), and to purchase 48,500 additional shares of Iroquois Gas Corp.

● **National Homes Corp., Lafayette, Ind.**
June 1 (letter of notification) 2,500 shares of 6% cumulative preferred stock, series A of 1948. **Price**—$100 per share. **Underwriters**—Kiser, Cohn & Shumaker, Inc. and Raffensperger, Hughes & Co., Inc., Indianapolis. For working capital.

● **National Securities Series, New York City**
June 4 filed 21 series of securities. **Underwriter** — National Securities & Research Corp., New York, investment manager. **Price**—To be based on the value of the net assets applicable to each series. Price is to be determined twice daily. **Business**—Investments.

● **New Jersey Power & Light Co.**
June 8 filed $6,000,000 first mortgage bonds, due 1978. **Underwriting**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Harriman Ripley & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly). **Proceeds**—For construction and improvement of property.

New York Telephone Co. (6/29)
May 28 filed $90,000,000 refunding bonds series F, due July 1, 1981. **Underwriters**—To be sold through competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. **Proceeds**—To reimburse the treasury for capital expenditures already made, to retire bank loans incurred in plant expansion and to finance future construction. Expected June 29.

● **Northern States Power Co. (of Minn.)**
June 3 filed $10,000,000 first mortgage bonds, due July 1, 1978, and 200,000 shares of cumulative preferred stock (no par). **Underwriting**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly). **Proceeds**—For construction and to pay off bank loans.

Nuera Products Co., Denver, Colo.
May 10 filed 100,000 shares ($10 par) preferred stock, and 20,000 shares ($1 par) common stock. **Underwriting**—None named. **Price**—10 shares of preferred and two of common will be sold for $100. **Proceeds**—To build, furnish and tool a factory and apply close to $500,000 to working capital.

Old North State Insurance Co., Greenville, N. C.
March 15 filed 100,000 shares of capital stock ($5 par). **Price**—$15 each. **Underwriter**—First Securities Corp., Durham, N. C. **Proceeds**—General business purposes.

● **Pacific Gas and Electric Co., San Francisco**
June 4 filed 1,000,000 shares of redeemable first preferred stock ($25 par). **Underwriter**—Names to be determined under competitive bidding. Probable bidders include Blyth & Co., Inc. **Offering**—Holders of preferred and common stockholders of record June 15 will be given rights to subscribe on or before July 7 at $100 per share to the extent of one share for each six shares of preferred or common held. **Proceeds**—To retire bank loans and finance further construction.

Pacific Telegraph & Telephone Co., San Fran.
May 28 filed 601,262 shares ($100 par) common stock. Underwriting, none. **Offering**—To be offered for subscription at $100 per share by stockholders on the basis of one new share for each six shares of preferred or common held. **Proceeds**—To reimburse company's treasury for additions, etc.

Pacific Western Oil Corp., Los Angeles
May 21 filed 450,227 shares ($10 par) capital stock. **Underwriting**—None. **Offering**—To be offered by the owner, J. Paul Getty, President of the Company, from time to time on the floor of the New York Stock Exchange, or "to specific persons, firms or corporations," in sales outside the Exchange.

● **Paper Art Co., Inc., Indianapolis, Ind.**
May 27 (letter of notification) 2,000 shares of 5% convertible sinking fund debentures. **Price**—100 and interest. **Underwriter**—City Securities Corp., Indianapolis. To pay in full outstanding bank loan, construction cost of an addition to present plant and the remainder for working capital.

● **Pepsi-Cola Bottling Co. of Memphis, Tenn.**
June 1 (letter of notification) 58,000 shares ($1 par) common stock. **Price** — $5 per share. **Underwriters**—Leftwich and Ross and Bullington Schas & Co., Memphis. **Proceeds**—To retire notes, to purchase stock of wholly-owned subsidiary (Bottling Co. of Greenwood, Miss.), and to purchase equipment and supplies.

● **Realty Co., Denver, Colo.**
June 3 (letter of notification), 400 shares capital stock ($1 par). **Price**—$27 per share. **Underwriters**—Ralph S. Young, Colorado Springs, Colo., and J. A. Hogle & Co., Salt Lake City, Utah. For working capital.

● **Republic Aviation Corp., Long Island, N. Y.**
June 4 filed 42,000 shares ($1 par) common stock, issuable upon the exercise of stock options. Options for this stock, exercisable at $7.25 per share, are held by eight individuals and the estate of another, now deceased. For general funds.

● **Reynolds Brothers, Inc., Sturgeon Bay, Wisc.**
May 28 (letter of notification) 10,000 shares of 20 cent non-cumulative preferred stock ($5 par). **Price**—$5 per share. No underwriting. For working capital.

● **Riley Stoker Corp., Worcester, Mass.**
June 3 (letter of notification) 7,000 shares ($3 par) common stock. **Price**—$11¾ per share. **Underwriter**—Hanrahan & Co. No purpose given.

● **Savoy Oil Co., Inc., Tulsa, Okla.**
June 8 filed 150,000 common shares (25¢ par). Underwriting, none. **Offering**—Stockholders are to be given rights to subscribe to 100,000 new shares at the rate of two-thirds of a share for each share held. The other 50,000 shares will be issued to officers and others upon the exercise of warrants. An unspecified number of shares may or may not be offered for sale to the public. Price by amendment. **Proceeds**—To be added to the general funds of the company.

Segal Lock & Hardware Co., Inc. (6/16)
March 24 filed $2,000,000 15-year 6% convertible sinking fund debentures, due 1963. **Underwriter**—Floyd D. Cerf Co., Inc. **Price**—95 (flat). **Offering**—Offered to stockholders of record May 4 on basis of one $100 debenture for each 100 shares held. Rights expired May 28. **Proceeds**—For repayment of two notes and general corporate purposes.

● **Schuyler-Wilson Co., San Francisco**
May 26 (letter of notification) 15,000 shares of ($10 par) preferred A stock (with warrants) and 90,000 common shares (par $1), reserved for warrants. Price, par for each class. **Underwriter**—Hannaford & Talbot, San Francisco, will act as selling agents. Each purchaser of one preferred share entitled to buy six common shares at $1 per share. For working capital and expansion.

● **Shackleton Piano Co., Louisville, Ky.**
June 2 (letter of notification) 10,000 shares ($10 par) common stock. To be offered first to stockholders and any unsubscribed shares later to the public. **Price**—$10 per share. No underwriting. For additional working capital.

Sierra Pacific Power Co.
March 26 filed $3,500,000 first mortgage bonds, due 1978. **Underwriters**—To be determined by competitive bidding. Probable bidders include: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Stone & Webster Securities Corp. **Proceeds**—Construction costs and the payment of $650,000 to National Shawmut Bank of Boston for construction notes. On May 15 company asked California P. U. Commission for a 60-day extension of time in which to issue the securities due to a possible revision of the amount of bonds to be issued.

Southern Natural Gas Co. (6/21)
May 19 filed $28,000,000 first mortgage pipe line sinking fund bonds. Due 1968. **Underwriting**—Names to be de-

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(Continued from page 45)

termined by competitive bidding. Probable bidders include: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp. **Proceeds**—$14,000,000 will be applied to the payment (exclusive of accrued interest) of 1¾% notes due 1956; balance for construction purposes. Expected about June 21.

● **Southern Union Gas Co., Dallas (6/25)**
June 4 filed 25,000 shares of 5% cumulative preferred stock ($100 par). **Underwriter**—E. H. Rollins & Sons, Inc., New York. **Price**—By amendment. **Proceeds**—To repay bank loans and finance additional construction. **Business**—Utility.

Squankum Feed & Supply Co., Inc. Farmingdale, N. J.
May 24 (letter of notification) 1,000 shares $5.50 cumulative preferred stock (par $100). Price, par. **Underwriter**—Fidelity Securities & Investment Co., Inc., Asbury Park, N. J. Working capital.

Standard Oil Co. (New Jersey)
May 11 filed 1,265,255 shares ($25 par) capital stock. **Offering**—To be offered holders of no par value common stock of International Petroleum Co., Ltd., at the rate of three Standard shares for 20 International shares. **Underwriting**—None. **Purpose**—To gain control of International, a Canadian corporation.

Standard Tube Co., Detroit
May 14 filed 136,667 shares of Class B common stock (par $1). **Underwriting**—None. **Offering**—Offered to Class B common shareholders of record June 10, in the ratio of one share of new stock for each three shares held at $3 per share. Rights expire 3 p.m., June 25. Fort Industry Co., owner of 122,757 shares of Standard Tube stock, expects to buy $250,000 of the new stock, with the purchase price to be credited against the $250,000 loan previously made by Fort Industry to Standard.

Sterilseat Corp. of America, Philadelphia
May 26 (letter of notification) 110,000 shares of common stock (par 15c). **Price**—$1.50 per share. **Underwriter**—Wm. O. Duntze, 60 Wall St., New York. The underwriter has a firm obligation to purchase 8,888 shares and an option to purchase 101,112 shares. General corporate purposes.

Uintah Minerals Corp., Denver
May 5 (letter of notification) 50,000 shares of non-assessable common stock (par 10¢) half at 25 cents and half at 40 cents. **Underwriter**—Forbes and Co., Denver. To drill mining claims.

● **United Air Lines, Inc., Chicago**
June 7 filed filed 369,618 shares ($10 par) common stock. **Underwriter**—Harriman Ripley & Co., Inc., New York. **Price**—By amendment. **Offering**—To be made to present comomn stockholders on the basis of one share for each five now held. **Proceeds**—Expenditures for equipment and facilities, retiring bank loans and debentures. **Business**—Air line.

U. S. Rubber Reclaiming Co., Inc., New York
May 25 (letter of notification) $300,000 4½% subordinate convertible debentures, due June 1, 1962. Price, par. **Underwriter**—Ladenburg, Thalmann & Co. **Offering**—Offered for subscription by stockholders at par. Rights expire June 22. Complete new plant facilities.

Upson Co., Lockport, N. Y.
May 24 (letter of notification) 250 common shares (par $10). **Price**—$16.50 per share. **Underwriter**—J. W. Gould & Co., New York. Proceeds to selling stockholder.

● **Virginia Iron, Coal & Coke Co., Roanoke, Va.**
June 7 filed 3,750 shares of 4% preferred stock ($25 par) and 15,000 shares ($10 par) common stock, to be sold by Mrs. Esther Buchman of New York City. **Underwriter**—To be filed by amendment. **Business**—Iron, coal and coke.

● **Walla Wallan, Inc., Walla Walla, Wash.**
June 3 (letter of notification), 10,000 shares 6% cumulative preferred ($10 par). **Price**—$10 per share. No underwriter. For development and expansion of the newspaper business.

● **West Virginia Water Service Co., Charleston, West Virginia**
June 7 filed 8,000 shares of $5 preferred stock (no par). **Underwriters**—To be filed by amendment. **Price**—$100 each. **Proceeds**—Retire $400,000 of bank loans, and for construction purposes. **Business**—Utility.

Zonolite Co., Chicago, Ill.
May 24 (letter of notification) 22,000 shares common stock (par $1). **Underwriter**—Wm. C. Roney & Co. Price by amendment.

Prospective Offerings

Chesapeake & Ohio Ry. (6/15)
The company will receive bids until noon (EDT) June 15 at 3400 Terminal Tower, Cleveland, for the sale of $3,500,000 of equipment trust certificates. The certificates will mature from July 1, 1949 to July 1, 1958. Probable bidders include: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

Chicago & North Western Ry.
May 28 company requested approval from the ICC of $5,340,000 equipment trust certificates, its first equipment trust of 1948. Proceeds will be used to meet 80% of the cost of 1,000 box cars and 500 hopper cars. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co., and Lehman Brothers (jointly); Kidder, Peabody & Co., and Dick & Merle-Smith (jointly).

Chicago Rock Island & Pacific RR. (6/10)
Bids for the purchase of $4,590,000 equipment trust certificates, dated July 1, 1948, due semi-annually Jan. 1, 1949-July 1, 1963, will be received up to 11:30 a.m. (CDT) June 10, at office of company, Room 1136, La Salle Street Station, Chicago. Proceeds will be used in connection with the purchase of equipment to cost $5,733,220. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co., and Lehman Brothers (jointly).

● **Gulf Mobile & Ohio RR.**
June 8 reported company plans under consideration for sale of $7,000,000 of bonds, the proceeds to be used for new money purposes.

● **Indiana Gas & Water Co., Inc., Indianapolis, Ind.**
June 4 company asked SEC permission to sell 60,000 additional shares of ($10 par) common stock at $12.50 per share, the proceeds to finance, in part, a construction program. Prior subscription rights are due to be offered to existing stockholders, entitling them to purchase one new share for each 10 shares now held. Indiana Gas has 600,000 shares of outstanding common stock, of which Public Service Co. of Indiana, Inc., its immediate parent, holds 267,010 shares. The company is a subsidiary of Middlewest Corp.

● **Louisville & Nashville RR.**
June 3 reported company plans the sale, possibly before the end of June, of $30,000,000 in new bonds. Probable bidders include Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.

● **New England Power Co., Boston, Mass.**
June 4 company asked SEC authority to sell at competitive bidding $11,000,000 first mortgage bonds, series B, due 1978, the proceeds to be used to purchase the utility assets of Bellows Falls Hydro-Electric Corp. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

● **Permanente Metals Corp.**
June 3 reported registration of some 500,000 to 700,000 common shares. Expected at early date, with Dean Witter & Co. and The First Boston Corp., as underwriters.

● **Philadelphia Baltimore & Washington RR.**
The company has issued invitations for bids to be received up to noon (EDT) June 22 at office of Geo. H. Pabst, Jr., Vice-President, 1811 Broad Street Station Building, Philadelphia, for $17,570,000 in general mortgage bonds, series F, maturing May 1, 1979. Probable bidders: Kuhn, Loeb & Co.; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co.

● **Public Service Electric and Gas Co.**
June 8 company asked SEC permission to sell 200,000 shares of cumulative preferred stock. Dividend rate, offering price and underwriting terms will follow competitive bidding. Proceeds will be used to finance company's business.

● **Richmond Fredericksburg & Potomac RR. (6/22)**
Bids for the purchase of $2,400,000 equipment trust certificates will be received at office of H. S. Wood, Treas., Room 501, Transportation Building, 201 W. Broad Street, Richmond, Va., up to noon (EST) June 22. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Southern California Gas Co.**
May 28 company has applied to the California P. U. Commission for authority to sell 384,000 additional common shares to present stockholders at $25 a share, at the rate of one share for every three held. Pacific Lighting Corp. owns over 99% of outstanding shares.

● **Texas Gas Transmission Corp.**
June 28 stockholders will vote upon an increase in the authorized stock to 100,000 shares ($100 par) preferred and 3,000,000 shares ($5 par) common. Existing capital authorized is 2,000,000 shares of capital stock, of which 1,265,383 shares are outstanding. It is proposed to use 1,265,383 shares of new common for exchange for existing capital stock outstanding and to sell privately at $8 a share 625,000 shares under an arrangement already made subject to shareholder approval. The preferred shares would be issued in series when necessary.

Observations

(Continued from page 5)

the same mistake as do the Communists of the Kremlin or the collectivists of contemporary India, when the promising of greater material benefits, of neglecting the crucial question of the preservation of freedom. Surely, this problem of the rights of the individual should at least be recognized and stated.

Likewise is the Chamber's document appeasing in its treatment of the labor problem. There is no valid reason for businessmen to soft-pedal their advocacy of an open shop, nor to be unspecific about how far they would go toward subjecting unions to anti-trust legislation (such as forbidding them, as are corporations foresworn, from engaging in joint, collective, industrywide, nationwide action).

Even, more important than the omissions cited above as well as others (such as tariffs and other basic elements of foreign economic policy), is the Report's pervasive vagueness, characteristic of so many middle-road pronouncements. Section 7, in full, states: "*There should be made available to the consuming public an ever-increasing variety of goods of the most acceptable quality at the lowest possible prices.*" Surely, this is no more than a pious hope for "the welfare state," and adeptly follows both the precepts of Mr. Laski (as restated in his new work, "The American Democracy"), as well as the typical slogan of one of our industrial corporations whom he is so fond of excoriating, "more goods for more people at less cost."

But How Much Intervention?

But the really significant vagueness, which justifies the writing of this column, lies in the characteristically ambiguous conclusions about the proper role of government and the necessary degree of planning. For here the Chamber's credo exemplifies the stultification characteristically attending efforts to follow the supposedly innocuous "middle-road." Throughout it run such expressions as "Government is the servant of the people—not their master. It should be used only *to further the general public interest*" (the caption of sec. 8); "Except in time of war or '*other national emergency* the government should not take over"; "management, labor and *the government* should do everything within their power to bring about the most productive results in industry and in business"; and "there should be resort to *governmental intervention* only in those cases in which it is found necessary for *the safeguarding of the public interest.*"

Surely such breadth of statement, as reflected in the lack of definition of "national emergency" and the absence of a definite position on the what-and-when of price controls, allocations, and subsidies, can catch the votes of the British Labor Government and our own New Deal planners as well as Chamber of Commerce members and other complacent free-enterprisers. Such statements are all too often facing two ways, like the British Cabinet, which is simultaneously engaged in pleasing the moderates like Morrison and Bevin as well as the socialist extremists, Hugh Dalton and Aneurin Bevan.

We, of course, assume that these compromise thoughts are part of the current "middle-of-the-roadism" by which believers in democracy sincerely think they can avoid tyranny and dictatorship of both the "right" and "left." The tragedy is that although believing they are thus fostering social justice and capitalism, their embracing of this "fantasy of the middle" can only lead to the tearing down of what they are trying to preserve. Actually, as is being demonstrated throughout the world, the indefinite and disguised interventionism they advocate produces a state of affairs to which they are fundamentally opposed. As we are seeing in Britain, if a government, after its first intervention, is not prepared to undo its interference with the market and go back to a free economy, it alternatively must unceasingly and cumulatively keep on piling on ever more regulations and restrictions, finally, *all* the economic freedom of individuals disappears.

Take "limited" price control as an example. It cannot work satisfactorily in a *market* economy. Either the government must abstain entirely from the temptation to keep a ceiling on prices or it inevitably must go on to substitute complete and all-over planning for the free market economy. Either prices are set on a free market by a free public, or else they must end in being arbitrarily determined by some government central board of production management. Any half-baked in-between compromising can only lead to confusion and social and political strife.

The Russian course of experience with planning is relevant and highly significant. It was begun by Lenin in 1920 in the form of separate disjointed moves in separate parts of the economy and intended for the improvement of particular industries or the fulfillment of limited aims. But it was only a question of time when the period of the Soviet's New Economic Policy (NEP), marking a continuous struggle between complete nationalization and appeasement of the peasant, must, as it did, would give way to complete planning on a global scale.*

**Cf. E. H. Carr, "The Soviet Impact on the Western World," p. 25 et seq., Macmillan, 1947.*

Illinois Brevities

(Continued from page 10)

For the fiscal year ended March 31, 1948, Hammond Instrument Co., Chicago, showed a net profit of $1,381,909 after Federal income taxes. This was equal, after preferred dividends requirements, to $3.67 per common share, and compares with $2.30 per common share for the preceding fiscal year.

* * *

On May 25, A. G. Becker & Co. Inc., Central Republic Co. (Inc.), Cruttenden & Co., Kebbon, McCormick & Co. and Mullaney, Wells & Co. participated in the public offering of 120,000 shares of Gamble-Skogmo, Inc. 5% cumulative preferred stock at par ($50 per share) and dividends. The issue was oversubscribed. These shares are convertible prior to July 31, 1958. The net proceeds were used to reduce short-term bank loans which aggregated $14,550,000 at April 30, 1948, the spring seasonal peak.

* * *

The balance sheet of Faber, Coe & Gregg, Inc., and its subsidiaries as of Feb. 29, 1948 shows current assets of $3,107,311, compared with current liabilities of $1,295,872. Surplus amounted to $2,323,061. Total assets were $3,107,311. There are outstanding 2,203 shares of preferred stock,

par $100 each, and 30,000 shares of no par value common stock.

* * *

A. G. Becker & Co. Inc. also participated in the public offering of 32,834 shares of 5% cumulative convertible second preferred stock, par $20, of Lake Superior District Power Co. at $20.75 per share. This was the unsubscribed portion of an issue of 52,800 shares previously offered to the common stockholders of the utility company at the same price. Rights to subscribe expired on May 3.

* * *

United Printers & Publishers (Inc.), Joliet, for the year ended Feb. 29, 1948 reported net sales of $14,443,743, as against $14,142,443 in the previous fiscal year. Net income amounted to $1,271,482, or $2.54 per common share, compared with $1,753,536, or $3.50 per common share, for the year ended Feb. 28, 1947. There are approximately 3,500 stockholders.

* * *

On May 18, Halsey, Stuart & Co. Inc. and associate underwriters, were awarded the privilege of underwriting an offering by Consolidated Edison Co. of New York, Inc. to the latter's common stockholders of $57,382,600 of 3% convertible debentures, due June 1, 1963. The group bid $1,000 for the underwriting privilege. The subscription rights to the stockholders expired on June 8. Other Chicago investment bankers participating in this underwriting were Dempsey & Co. and Mullaney, Wells & Co.

NSTA Notes

SECURITY TRADERS' ASSOCIATION OF NEW YORK

Tryouts for the STANY team will be held at Richmond County Country Club, Staten Island, on June 23 (boat leaves at two o'clock). The team will compete against Philadelphia and Boston at Philadelphia on July 9.

Unfortunately, this year the team will consist of four members only, getting back to the original competition with Philadelphia and Boston started some years ago.

However, it is hoped a second foursome can be arranged with Philadelphia which would not have anything to do with the STANY Cup, which New York won last year.

Those wishing to try out should contact Gerald Kane, Luckhurst & Co., Inc., or Theodore Plumridge, J. Arthur Warner & Co., Inc.

"AD LIBBING"

May we request our members to assist us in securing corporate advertising for our 1948 "Chronicle" NSTA Convention Year Book. Many of our members are close to companies, either by financing or trading and this year your committee is most desirous to obtain such ads. We think this type of advertising would get plenty of recognition in our issue and we would suggest our members discussing this type of business with the partners of their firms or with directors they may be acquainted with. We would indeed consider it a privilege to announce in these columns the member securing the first corporate ad. Will this be you?

* * *

With the above in mind let's not be like the pessimist who says, "if we don't try, we can't fail." Let's be the optimist who says, "if we don't try, we can't win."

HAROLD B. SMITH, Chairman
Yearbook Committee, NSTA
Collin, Norton & Co.,
120 Broadway
New York 5, N. Y.

Our Reporter's Report

The new issue market continues to show good powers of absorption although, of course, it was not called upon this week to take up any substantial amount of offerings.

But, those that reached market encountered good reception and the overall results, along with the apparent renewal of strength in the field of seasoned equities made for sustained cheer in underwriting circles.

A forceful illustration of what proper pricing and yield means at the moment, with institutions proving the major outlet for high-grade bonds, was seen in the circumstances that attended the offering of $11,000,000 of new first mortgage, 30-year bonds of the Florida Power & Light Co.

Bankers paid the company a price of 102.10999 for a 3⅛% coupon, with the first four bidders apparently thinking in pretty much the same terms. The successful group reoffered the issue at 102.4613 to yield the buyer a return of 3%.

Meeting the yield ideas of institutional buyers this proved a real "out-the-window" operation with three of the big insurance companies reported to have taken down a total of $10,000,000 of the issue, or at least to have entered orders for that amount.

Kansas City Southern

The only other sizeable offering involved $14,000,000 of first mortgage, 20-year bonds of the Kansas City Southern Railway which also was reported in good demand, though not entirely sold on the first day.

Five banking groups bid for this issue which was sold as a 3⅝% interest payer. Two groups bid for that coupon while the remaining three specified a 3¾% rate.

The winning group paid the company 99.40 and reoffered the bonds at 100.35 to yield 3.60%, with demand indicating relatively early placement for the loan.

Equities Moving

Those who are looking forward to a broad revival of equity financing took real encouragement from the manner in which bankers were able to place the huge blocks of North American Aviation, Inc., brought out late last week.

Sponsors of this 1,000,061 share block, sold for the account of General Motors, were able to announce over the week-end that the offering, at $12.75 a share, had been completed and books closed.

Marketing of this big secondary naturally enjoyed a propitious "backdrop" in the shape of revival of activity in the aviation industry under the impetus of the country's vast new defense program.

More Stock Appearing

Spurred by the apparent change in the investment situation, corporations, particularly public utilities, are inclined to attempt to raise at least a portion of their capital needs through preferred stock once again.

Public Service Electric & Gas Co. of N. J. has filed to market 200,000 shares of cumulative, preferred to finance, in part, its expansion plans. And, Northern States Power Co. of Minn., in its latest proposals, projects 10,000,000 of new bonds, plus 200,000 shares of cumulative no par preferred.

Meanwhile underwriters are making ready to bid for 535,882 shares of common stock of American Bosch Corp., which Attorney General's Office plans to sell, around mid-July. This stock represents 77% of the total, and naturally carries control.

SITUATION WANTED

Trader Available

20 years' experience doing order work and trading listed and unlisted securities. Desires position with Stock Exchange House. Box B 610, Commercial & Financial Chronicle, 25 Park Place, New York 8.

HELP WANTED

WANTED ARBITRAGE TRADER

Familiar with listed and unlisted Canadian securities. Write, giving full details, to Charles King & Co., 61 Broadway, New York 6.

DIVIDEND NOTICES

DIVIDEND NO. 35

Hudson Bay Mining and Smelting Co., Limited

A Dividend of one dollar ($1.00) (Canadian) per share has been declared on the Capital Stock of this Company, payable September 13, 1948, to shareholders of record at the close of business on August 13, 1948.

H. E. DODGE, *Treasurer.*

New York & Honduras Rosario Mining Company

120 Broadway, New York 5, N. Y.

June 9, 1948.

DIVIDEND NO. 383

The Board of Directors of this Company, at a Meeting held this day, declared an interim dividend for the second quarter of 1948, of Sixty Cents ($.60) a share on the outstanding capital stock of this Company, payable on June 26, 1948, to stockholders of record at the close of business on June 16, 1948.

W. C. LANGLEY, Treasurer.

THE COLUMBIA GAS SYSTEM, INC.

The Board of Directors has declared this day the following regular quarterly dividend:

Common Stock
No. 54, 15¢ per share

payable on August 14, 1948, to holders of record at close of business July 20, 1948.

DALE PARKER
Secretary

June 3, 1948

ARKANSAS WESTERN GAS COMPANY

Dividend Notice

Common Stock

The Board of Directors of Arkansas Western Gas Company has declared a quarterly dividend of twenty cents (20c) per share, payable June 30, 1948, to its holders of common stock of record June 15, 1948. Checks will be mailed from the First National Bank of Chicago on or about June 30, 1948.

L. L. BAXTER, President

THE ATLANTIC REFINING CO.

PREFERRED DIVIDENDS

At a meeting of the Board of Directors held June 1, 1948, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable Aug. 2, 1948, to stockholders of record at the close of business July 6, 1948.

At the same meeting a dividend of ninety-three and three-fourths cents ($.9375) per share was declared on the Cumulative Preferred Stock 3.75% Series B of the Company, payable Aug. 2, 1948, to stockholders of record at the close of business July 6, 1948.

Checks will be mailed.

RICHARD ROLLINS
Secretary

June 1, 1948.

DIVIDEND NOTICES

LION OIL COMPANY

A regular quarterly dividend of 75¢ per share has been declared on the Capital Stock of this Company, payable July 15, 1948, to stockholders of record June 30, 1948. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

June 8, 1948

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

191st Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of seventy-five cents ($.75) per share on the Common Stock, payable June 30, 1948, to stockholders of record at the close of business on June 14, 1948. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, June 4, 1948

RADIO CORPORATION OF AMERICA

Dividend on First Preferred Stock

At the meeting of the Board of Directors held today, a dividend of 87½ cents per share, for the period April 1, 1948 to June 30, 1948, was declared on the $3.50 Cumulative First Preferred Stock, payable July 1, 1948, to holders of record at the close of business June 14, 1948.

A. B. TUTTLE, *Treasurer*

New York, N. Y., June 4, 1948

Safeway Stores, Incorporated

Preferred and Common Stock Dividends

The Board of Directors of Safeway Stores, Incorporated, on May 28, 1948 declared quarterly dividends on the Company's $5 Par Value Common and 5% Preferred Stocks.

The dividend on the Common Stock is at the rate of 25c per share and is payable July 1, 1948 to stockholders of record at the close of business June 17, 1948.

The dividend on the 5% Preferred Stock is at the rate of $1.25 per share and is payable July 1, 1948 to stockholders of record at the close of business June 17, 1948.

MILTON L. SELBY, *Secretary.*

May 28, 1948.

DIVIDEND NOTICES

St. Louis, Rocky Mountain & Pacific Co.

Raton, New Mexico, May 25, 1948.

COMMON STOCK DIVIDEND No. 97

The above Company has declared a dividend of 50 cents per share on the Common Stock of the Company to stockholders of record at the close of business June 15, 1948, payable June 30, 1948. Transfer books will not be closed.

P. L. BONNYMAN, Treasurer.

OFFICE OF
LOUISVILLE GAS AND ELECTRIC COMPANY

The Board of Directors of Louisville Gas and Electric Company (Delaware) at a meeting held on June 4, 1948, declared a quarterly dividend of thirty-seven and one-half cents (37½c) per share on the Class A Common Stock of the Company for the quarter ending May 31, 1948, payable by check July 20, 1948, to stockholders of record as of the close of business June 15, 1948.

At the same meeting a dividend of twenty-five cents (25c) per share was declared on the Class B Common Stock of the Company, for the quarter ending May 31, 1948, payable by check July 20, 1948, to stockholders of record as of the close of business June 15, 1948.

G. W. KNOUREK, Treasurer

THE TEXAS COMPANY

183rd Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 75¢ per share or three per cent (3%) on par value of the shares of The Texas Company has been declared this day, payable on July 1, 1948, to stockholders of record as shown by the books of the company at the close of business on June 4, 1948. The stock transfer books will remain open.

L. H. LINDEMAN
Treasurer

May 27, 1948

ROBERTSHAW-FULTON CONTROLS COMPANY

Youngwood, Pa.

COMMON STOCK
PREFERRED STOCK

A dividend of 20¢ per share on the Common Stock and the regular quarterly dividend of 29-11/16¢ per share on the 4¾% Cumulative Convertible Preferred Stock have been declared, both payable July 1, 1948, to stockholders of record at the close of business June 15, 1948.

The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer

June 2, 1948

International

MINERALS & CHEMICAL CORPORATION

General Offices
20 North Wacker Drive, Chicago

★

Dividends were declared by the Board of Directors on May 27, 1948, as follows:

4% Cumulative Preferred Stock
25th Consecutive Regular
Quarterly Dividend of One Dollar ($1.00) per share.

$5.00 Par Value Common Stock
Regular Quarterly Dividend of Forty Cents (40c) per share.

Both dividends are payable June 30, 1948, to stockholders of record at the close of business June 18, 1948.

Checks will be mailed by the Bankers Trust Company of New York.

Robert P. Resch
Vice President and Treasurer

★

Mining and Manufacturing
Phosphate • Potash • Fertilizer • Chemicals

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—General Dwight D. Eisenhower will become the Presidential candidate of the Democratic party under certain specified conditions, it was asserted here by political authorities of the highest level who, nevertheless, insisted upon remaining anonymous.

The first condition which it is asserted must be met before the former Army chieftan would accept the nomination, is that the Republican party nominates an "isolationist." Just whom the general would consider an isolationist was not revealed. It was stated that he would not accept the nomination if Senator Vandenberg became the GOP nominee.

Second condition for Eisenhower's acceptance is that Mr. Truman withdraw as a candidate for renomination. The general will not fight against his former Commander in Chief for the nomination.

It was indicated that this intelligence may be quickly denied, for the new prospect was not said to be a firm commitment, but an indication of what would happen subject to the two "ifs."

This word was obtained after a secret conference within the last few days of Democratic bigwigs with the Columbia University President. These Democratic leaders say Truman's western trip has been a flop. He will be beaten badly, and his defeat will threaten to submerge the Democratic party for years.

* * *

Now is the time for all good men to beware of what the politicians say in Washington, for, at least so far as the Congressional open forum is concerned, this is the most intense period in the regular quadrennial political season. To swipe a little of the lingo of the bill-drafting lawyers, politicians for this purpose may be construed to include foreign secretaries, foreign aid administrators, and Senators running covertly for President as well as the thundering herd of President, Cabinet members, and Congressional politicos.

After listening to the perfervid outpourings from Washington over the weekend on foreign aid, it is suggested that no one, in reading official statements, be without such a little "beware" sign. What you are supposed to believe is that Johnny Taber, aided and abetted by a House majority, snipped Uncle Sam's suspenders and in effect invited Uncle Joe to send his unwashed boys streaming over all Europe while something or other was down.

It might be added that outside those who professionally view with alarm any disposition to snitch even one of the ciphers from the foreign aid blank check, the boys who are concerned with foreign aid are not worried and here is why:

First, it is openly acknowledged by most in authority that the estimates for foreign aid were little better than informed guesses. It is the job of the Paris committee (executive committee of the Organization for European Economic Cooperation) to compile estimates of actual needs for thousands of specific items, from bulk materials to number of farm tractors and number and variety of machine tools, to quantity and types of steel. OEEC is at present moment in the midst of the job. It will not be ready anyway for a couple of weeks. Then the whole business will be sent to Washington, where ECA and Commerce Department will have to sift and confer and correlate before there can be even a beginning to the industrial rehabilitation phase which is the core of foreign aid.

There has been a pretty wide belief that the scale which Europe suggested last September for her industrial rehabilitation exceeded any realizable physical possibilities. OEEC will come up for the first time soon (officials hope) with the first, concrete, coordinated schedule of just what Europe wants and can handle, the FIRST since all this Marshall plan talk.

Even granting unusual speed upon the part of ECA (Economic Cooperation Administration) and the rest of Washington's bureaucracy, it will be fall of this year before ECA goods begin to move in bulk. Until then, it is still just fuel, food and fertilizer, plus a small amount of industrial raw materials. ECA's authorized purchases cleared since April 7 total less than $300 million.

* * *

Congress has appropriated $5.9 billion for foreign aid, a figure available for expenditures until June 30, 1949. At the same time Congress, or at least the House, in making the "cut," has committed itself morally to consider raising the appropriation if the actual need develops for the money. Hence, if Europe shows it can profitably use more machinery and industrial materials and the U. S. shows it can spare same, then Congress in effect says it will authorize, or rather appropriate, more. Certainly if the Reds break loose again on a binge of taking over countries, a larger appropriation is a certainty next Winter.

Thus Congress has appropriated not less than $5.9 billion, over $4 billion more than can be spent under optimum conditions, between now and the time Congress returns next January to check into the situation again. That is a minimum. The Senate is pretty sure to kick the amount up higher.

* * *

There is a factual basis to the assertion that the House all along has been trying to chip off some of the ERP dough. On the other hand, it is also true that the House likewise has been trying to maintain actual control of expenditures whereas the Administration has been trying to get the money free from strings as much as possible.

Thus when the ERP authorization (as distinguished from the pending, current appropriation) was up, the Administration asked for $6.8 billion for 18 months, or from April of this year through June of next year.

* * *

Here are two vignettes of the way the government of the U. S. A., 1948, model, runs.

No. 1: Railroad labor descended upon Congress this year demanding increased pensions, higher old age payments.

Railroad management asked Congress for a cut in the 3% tax management pays to the Federal Government to support unemployment among railroad workers, its credit with the Treasury for this purpose having accumulated to $934 million.

Congress worked out a bill. It provided that the pensions of railroad workers should be increased from a minimum of $50 per month to $60, and a maximum of from $120 to $144, with the restoration of lump sum death payments. Increased unemployment compensation was denied.

In this compromise bill management was allowed to reduce the rate of unemployment compensation tax to ½ of 1% until such time as the unemployment compensation credit remains above $450 million. From $200 million in this fund to $450 million, the tax varies between the present "full" rate of 3% and ½ of 1%. For an indeterminate period of years ahead, railroad emanagement drops an annual tax of $100 million on its revenue, a net gain except for corporation taxes.

Whether the public or investors have any stake in this issue, one way or another, is beside the point. When both management and labor agreed, Congress moved with alacrity to pass it. Its final enactment is a matter of a few days.

No. 2 vignette concerns the Public Housing Administration, which sells used war housing.

Adjacent to the national capital is the Naval Powder Factory at Indianhead, Md. At that installation are 12 single and 40 double, "demountable" houses which PHA is offering for sale.

These are offered for sale to veterans. For $500 or $600 a veteran can buy a single "demountable" home of small living room, two bedrooms, kitchen and bath, with a heater and fixtures. Looks like a good buy. For $800 he can buy a double house.

However, a veteran must make his own arrangements to move the single or double house he buys. If he is able to buy a single house, he must find a lot on which to put it. He must ascertain that zoning regulations will permit the location of this "demountable" house on the particular lot. He must satisfy all the myriad of local government and union regulations before he knows he can swing the deal.

No bank could lend him the money before it knew that he could swing the deal.

If he buys a double house, he must find two lots. Most of the veterans, in order to buy a house, are forced to bid on a double house in order to find one for themselves.

Then the veteran is in the business of establishing a house for a second veteran. But even if he located one-half of a double on a separate lot, he could charge the veteran he sold to only costs plus 5% overhead—hardly a paying proposition.

Then the veteran must move the house. There is probably not a capable contractor in the vicinity willing to undertake the job. Even if a contractor were found, he would be required to undertake by contract not to discriminate against Negroes or Communists in moving the house. If the house were moved bodily, the veteran would have to negotiate with telephone companies, power companies, county road authorities, town authorities, to lift telephone and power lines and obtain permits to get the house moved through all communities.

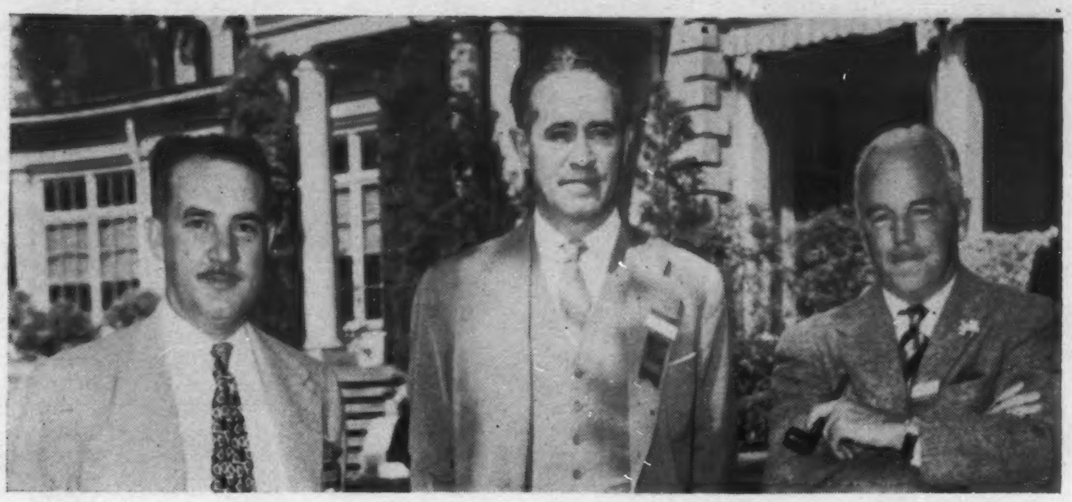
To arrange all the red tape of going into the real estate business for themselves, 12 veterans who buy single houses and 20 veterans who buy double houses, have about two weeks. In two weeks they have to prepare to take the plunge. Then they have to deposit 10% with the government. If they are not able thereafter to swing the deal, then they lose their 10% deposits as "liquidated damages" to the government.

PBA knows that this is a deal which a veteran probably couldn't swing short of three months. PBA is told by Congress to offer them to veterans and to sell them fast. Sorry. That is the law.

BUSINESS BUZZ

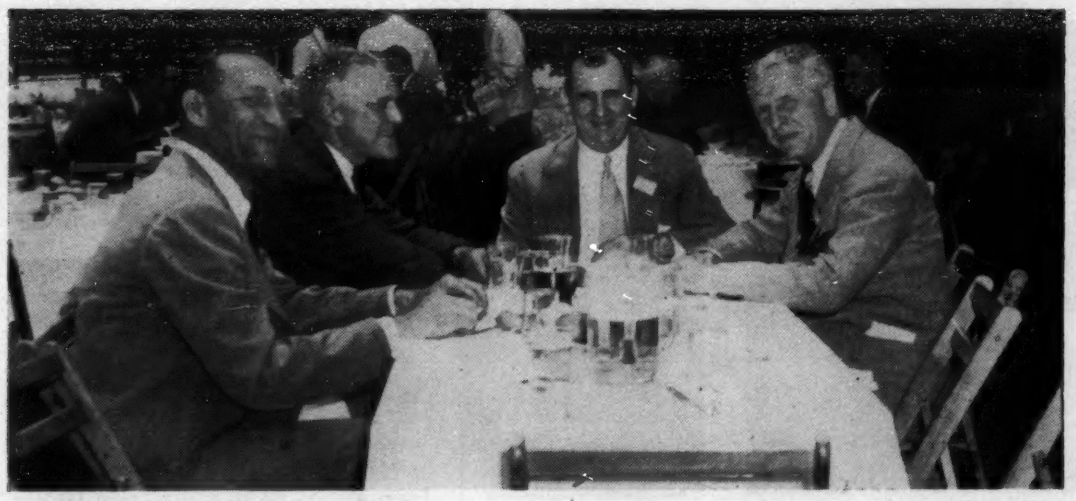
"It's income tax week again—everybody's ordering a lettuce leaf and a glass of water!"

Bond Club of New York 24th Annual Field Day



Hal Murphy, *Financial Chronicle;* Geo. J. Leness, *Merrill Lynch, Fenner & Beane,* incoming President of the Bond Club; William H. Long, Jr., *Doremus & Co.*

Jansen Noyes, Jr., *Hemphill, Noyes & Co.;* H. C. Clifford, *Kidder, Peabody & Co.;* Willard I. Emerson, *Hemphill, Noyes & Co.*

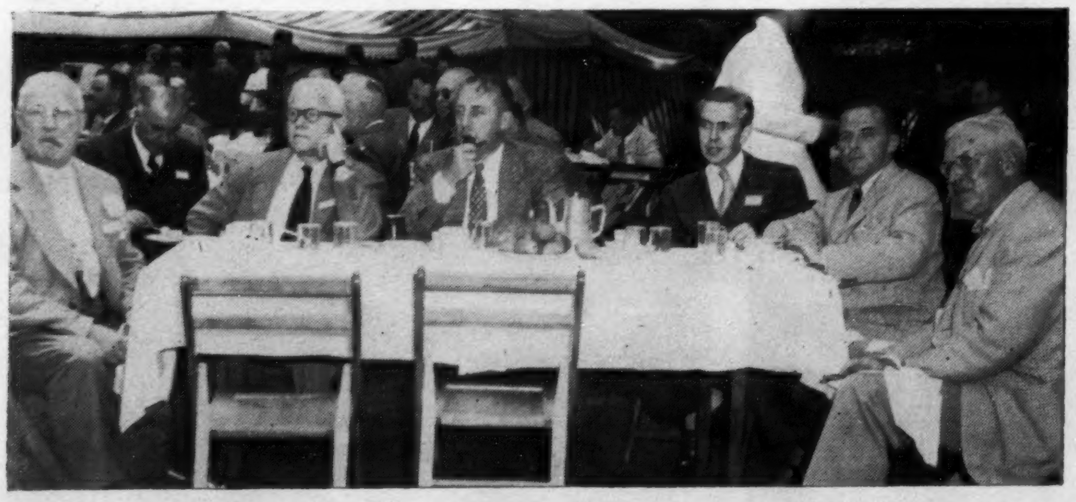


Russell Lea, *Reynolds & Co.;* Russell Welles, *Central Hanover Bank & Trust Co.;* Richard Newell, *Dillon, Read & Co.;* David L. Skinner, *Harriman Ripley & Co.*

William P. King, *Harris, Hall & Co., Inc.*, New York; Durwin D. Algyer, *Goldman, Sachs & Co.;* John C. Maxwell, *Tucker, Anthony & Co.;* Allyn W. Maxwell, *Central Hanover Bank & Trust Co.*

Walter E. Sachs, *Goldman, Sachs & Co.;* Robert E. Broome, *Guaranty Trust Co.;* V. Theodore Low, *Bear, Stearns & Co.;* J. F. Burns, *Harris, Upham & Co.*

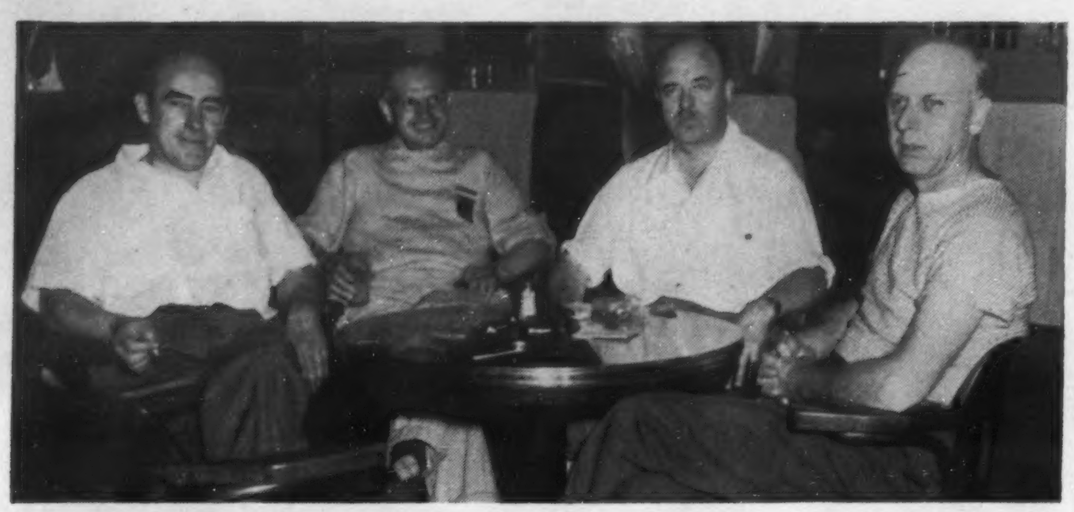
Edward Glassmeyer, Jr., *Blyth & Co.;* Paris Scott Russell, Jr., *Glore, Forgan & Co.;* Edwin H. Herzog, *Lazard Freres & Co.;* Clarence Goldsmith, *White, Weld & Co.*



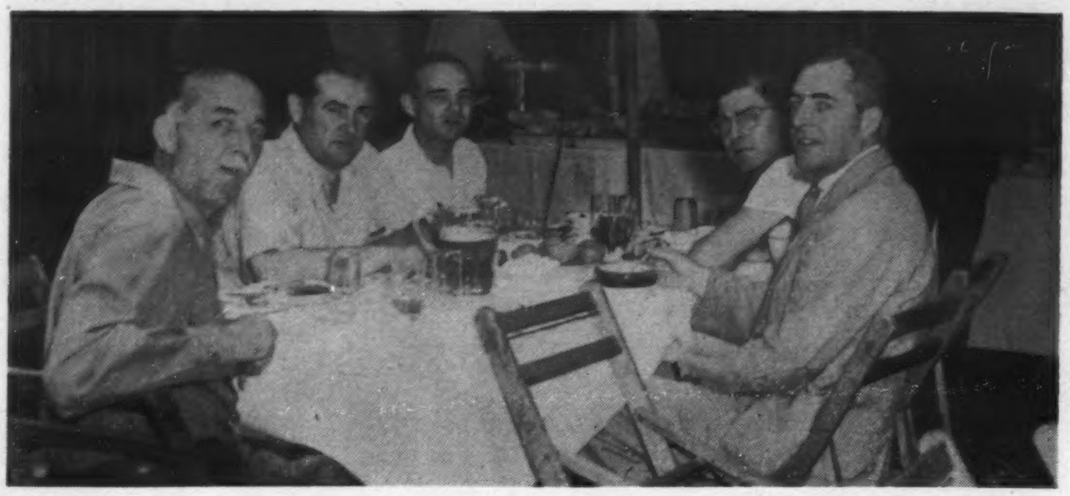
Frank E. Gernon, *Carl M. Loeb, Rhoades & Co.;* John P. G. Moran, *Irving Trust Co.* John Arrowsmith, *Cohu & Co.;* Chauncey L. Waddell, *Herrick, Waddell & Reed, Inc.;* Don Arrowsmith, *Arrowsmith, Post & Welch;* J. A. de Camp, *Penington, Colket & Co.*, New York

Gurden Halsey, *B. W. Pizzini & Co.;* J. W. Rutter, *Rutter & Co.;* B. W. Pizzini, *B. W. Pizzini & Co.;* Col. Oliver J. Troster, *Troster, Currie & Summers;* Everett T. Tomlinson, *Merrill Lynch, Pierce, Fenner & Beane*

At Sleepy Hollow Country Club June 4th

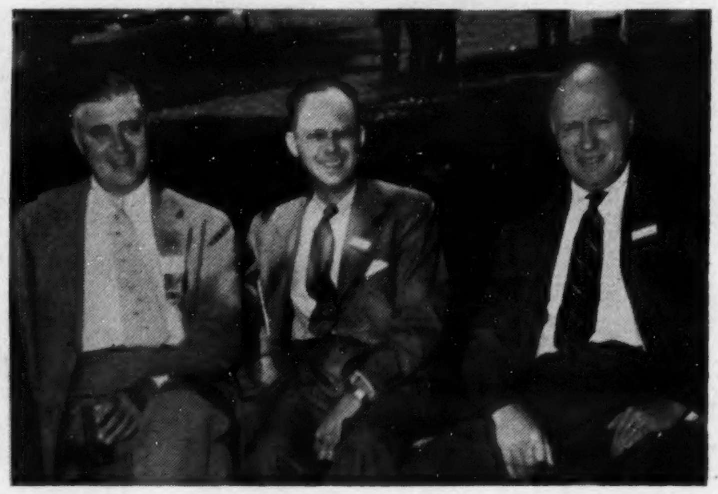


Robert L. Harter, *First Boston Corp.*; E. H. Robinson, *Schwabacher & Co.*; Reg Jarvis, *McLeod, Young, Weir & Co.*, New York; Ted Hawes, *Wertheim & Co.*



Paul Sipp, *First of Michigan Corp.*; Walter Dempsey, *B. J. Van Ingen & Co.*; Dick Rand, *Rand & Co.*; L. Eugene Marx, *Salomon Bros. & Hutzler*; James D. Topping, *J. D. Topping & Co.*

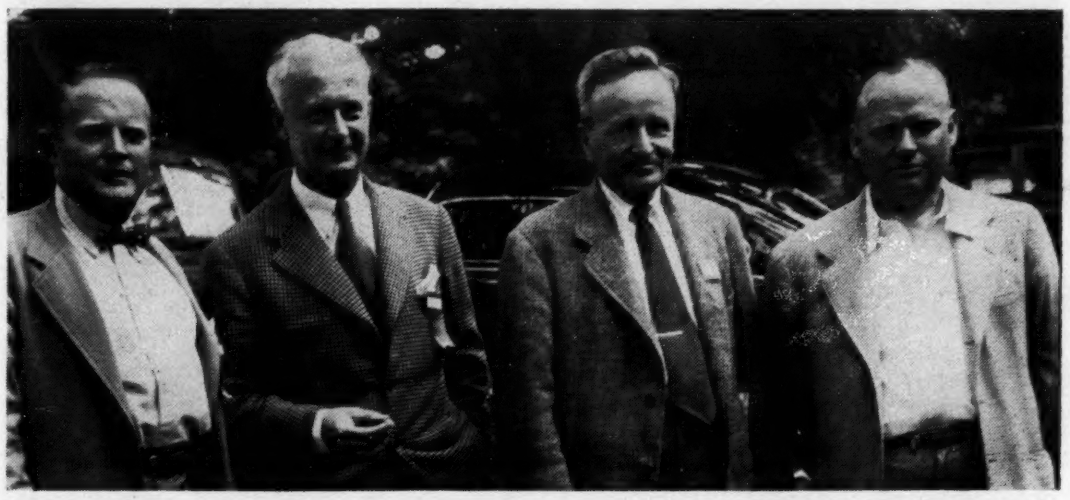
H. Edward Vollmers, *Morgan Stanley & Co.*; Gordon Duval, *Guaranty Trust Co.*; Charles L. Morse, Jr., *Hemphill, Noyes & Co.*



Edward H. Nelson, *Kidder, Peabody & Co.*; Arthur W. Marks, *Smith, Barney & Co.*; T. J. Bryce, *Clark, Dodge & Co.*

C. Cheever Hardwick, *Smith, Barney & Co.*; Leverett F. Hooper, *First National Bank*; Francis P. Gallagher, *Kidder, Peabody & Co.*

M. B. Stitzer, *Hill & Co.*, New York; Lester Powers, *Dominick & Dominick*; Walter Cooper, *F. S. Smithers & Co.*; John J. Nolan, *G. H. Walker & Co.*, New York



John J. Clapp, Jr., *R. W. Pressprich & Co.*; R. W. Pressprich, Jr., *R. W. Pressprich & Co.*; W. Manning Barr, *Barr Bros. & Co.*; Ernest J. Altgelt, Jr., *Harris Trust & Savings Bank*

H. W. Grindal, *Reynolds & Co.*; Louis Fetzer, *Hayden, Stone & Co.*; R. Inslee Clark, *Spencer Trask & Co.*

John Straley, *Hugh W. Long & Co.*, explaining jokes in "Bawl Street Journal" to Terry DeDeo

Harold W. Davis, *Laird, Bissell & Meeds*; Elmer Dieckman, *Glore, Forgan & Co.*

Drew Record Attendance

Arthur H. Kiendl, *Guaranty Trust Co.;* F. A. Krayer, *Harriman Ripley & Co.;* Theodore W. Hawes, *Wertheim & Co.;* Charles E. Robinson, *Vanderhoef & Robinson;* Alfred Shriver, *Morgan Stanley & Co.*

Arthur Hawley, *Lionel D. Edie & Co.;* Eugene Scarborough, *Central Republic Co.;* Mason B. Starring, Jr., *Graham, Parsons & Co.;* Paris Scott Russell, Jr., *Glore, Forgan & Co.*

Earle T. Holsapple, *Holsapple & Co.;* Geo. F. Taylor, *Bankers Trust Co.;* Hubert F. Atwater, *J. G. White & Co.*

William B. Chappell, *First Boston Corp.;* Louis A. Mahoney, *Halsey, Stuart & Co.;* William L. Canady, *W. L. Canady & Co.*

John Linen, *Chase National Bank;* James G. Couffer, *B. J. Van Ingen & Co., Inc.;* Geo. Holzman, *Chase National Bank*

J. T. Foster, *Lee Higginson Corp.;* M. G. B. Whelpley, New York; Allen Du Bois, *Wertheim & Co.*

J. Wilson Jones, *Federal Reserve Bank* (retired); Adolph E. Gehrung; Frederick H. Clarkson, *Auchincloss, Parker & Redpath;* W. Murray Lee, *Hannahs, Ballin & Lee*

Darnall Wallace, *Coffin & Burr, Incorporated;* Robert T. Veit, *Shields & Co.;* Charles Hazelwood, *E. H. Rollins & Sons, Inc.*

G. H. Walker, Jr., *G. H. Walker & Co.,* New York; Joseph A. W. Iglehart, *W. E. Hutton & Co.;* James Lee, *Lee Higginson Corp.*

Clarence E. Goldsmith, *White, Weld & Co.;* Geo. J. Gillies, *First Boston Corp.;* Edwin H. Herzog, *Lazard Freres & Co.*

For Full Day of Sport and Entertainment

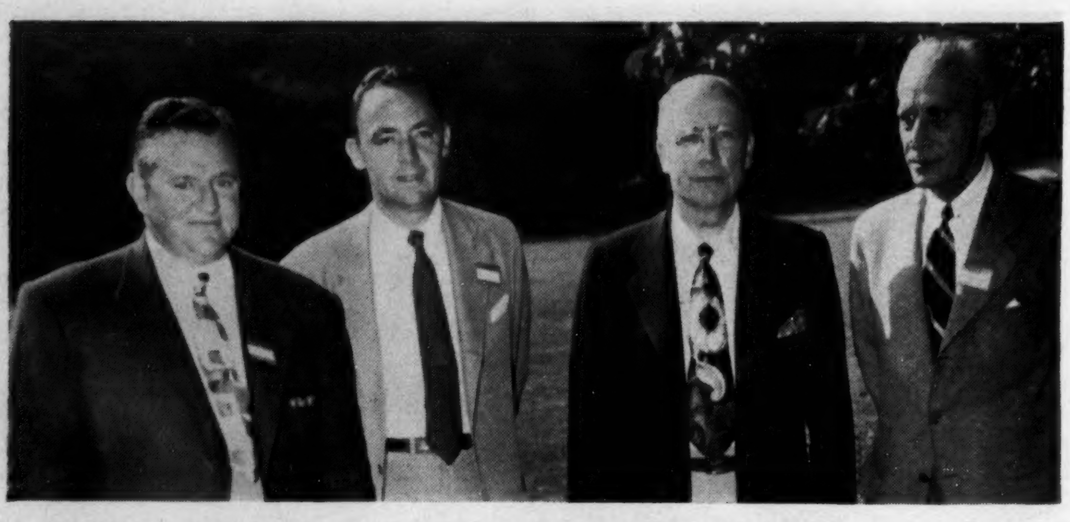
F. A. Willard, *Reynolds & Co.*; Grosvenor Farwell, *Hitt, Farwell Associates*; Geo. W. Bovenizer, *Kuhn, Loeb & Co.*

B. C. Eustis, *Spencer Trask & Co.*; M. D. Hall, *L. A. Mathey & Co.*; W. A. Stanger, Jr., *Riter & Co.*; J. L. Richmond, *Reynolds & Co.*

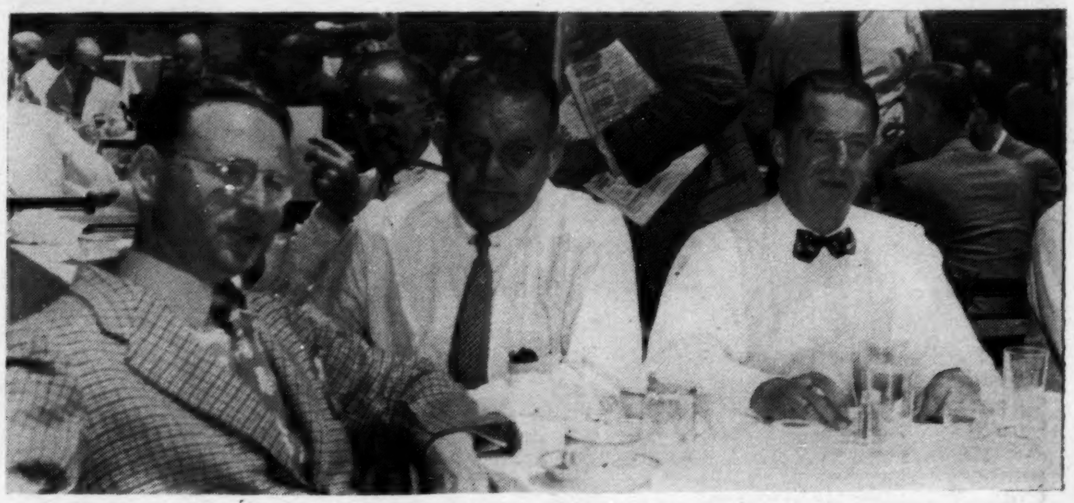
John Valentine, *Harris, Hall & Co.*; F. Kenneth Stephenson, *Goldman, Sachs & Co.*; Lee M. Limbert, *Blyth & Co., Inc.*

John McMaster, *Great American Insurance Co.*; Herbert W. Marache, *Granbery, Marache & Co.*; Egerton B. Vinson, *De Haven & Townsend, Crouter & Bodine*

Adrian M. Massie, *New York Trust Co.*; Egerton B. Vinson, *De Haven & Townsend, Crouter & Bodine*; David L. Skinner, *Harriman Ripley & Co.*



Fred C. Rummel, *Burr & Co.*; Jim Colthup, *Freeman & Co.*; Frank Wood; John S. Reitenbaugh, *Goodbody & Co.*



W. Arthur Grotz, Geo. H. Reeves and A. D. Lane, all of *Chase National Bank*

J. William Smallwood, *Carl H. Pforzheimer & Co.*; Walker W. Stevenson, Jr., *Hemphill, Noyes & Co.*

Arthur Nelson, *Burnham & Co.*; Jacob C. Stone, *Asiel & Co.*

William S. Wilson, *Montgomery, Scott & Co.*; Geo. P. Rutherford, *Dominion Securities Corp.*